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State of European FinTech 2024

UK Dominates, Midsized M&A Thrives, and Funding Crisis Spurs Sustainability

Introduction

Welcome to Finch Capitals 9th edition of the State of European FinTech report in which we further examine the growing influence of FinTech in Europe. As previously, we continue to focus on macro levers in FinTech in Europe including exit dynamics, valuation, funding growth as well what we believe our key trends for the next year.

Our report is structured as follows: 1. State of European FinTech, 2. State of FinTech in Key European Countries and 3. 8 Trends Shaping FinTech

It continues to be a challenging operating environment for all players in the ecosystem, although we are starting to see some green shoots. This was another year of contraction, but there is light at the end of the tunnel particularly in the exit market. It is crucial to be aligned with the potential buyer universe (strategic or private equity) particularly in terms of valuation and structure as we come out of this reset. More emphasis is now placed on profitability than revenue growth with the European low to mid-market M&A ecosystem starting to thrive. While funding might seem to be dropping, it is a function of the hard work companies went through last year in getting close to breakeven.

Finch Capital partners with ambitious founders in financial and business technology verticals by backing teams to build and grow capital efficiently. We invest €5-15m in companies generating €2-15m in ARR. We help accelerate the path to profitable scale by allowing founders and team to maintain control and provide liquidity for certain stakeholders as well. We've invested in ±50 companies including Fourthline, Goodlord, eFlow, ZOPA, AccountsIQ, NomuPay and Lavanda.

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 and subscribe to our newsletter.

Eugénie Colonna d'Istria
Associate
eugenie@finchcapital.com

Aman Ghei
Partner
aman@finchcapital.com

Joe McHale
Analyst
joe@finchcapital.com

Radboud Vlaar
Managing Partner
radboud@finchcapital.com

State of FinTech covers the 5 sectors of Financial Technology we focus on

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This report covers the State of FinTech

...State of BusinessTech to be published later in 2024

State of FinTech

Insurance
- Protection against various risks
- Claims and administration
- Fraud and payments
- Search and quoting software
- Data and underwriting

Payments
- B2B & A2A payments
- Payment value chain infrastructure (PSPs, gateways, pay-in, payout)
- Fraud and security
- Mobile payments/digital wallets/loyalty
- Card network infrastructure

Banking & Digital Currency
- Banking as a service infrastructure (e.g. card issuing)
- Open banking infrastructure
- Neobanks
- Digital currency and blockchain

Wealth & Capital Markets
- IFAs / Portfolio Management Software
- Investment Management Platforms
- Capital market tools

Lending & Mortgages
- Loan servicing and origination
- Lending technology
- B2C tech enabled brokers/lenders
- Communication and product construction tools

State of BusinessTech

HR & Payroll
- Talent acquisition
- Resource management
- Payroll technologies
- Human capital management platforms
- Rewards & benefits management
- Performance management
- Compensation management

Tax & Accounting
- Financial management software & FPA
- Tax prep, management and compliance
- AP/AR
- Revenue & spend management
- Shareholder/board planning
- Audit
- Treasury

Regulatory & Legal
- KYC/KYB/AML and other financial crime prevention
- Risk management (portfolio, vendor, GRC)
- Security and intelligence tools
- Legislation driven reporting and transaction software
- Contract and document management

Business Process Automation
- Software to simplify operations in a business including product management, BI and other business improvement tools
- Supply chain management
- Customer relationship management
- Data integration across organization

Our portfolio

Insurance	Payments	Banking & Digital Currency	Wealth & Capital Markets	Lending & Mortgages	HR & Payroll	Tax & Accounting	Regulatory & Legal	Business Process Automation
FIXICO, Digital Insurance Group, komparu, goodlord, SALVIOL, Knip	NomuPay, mōni, in3, payaut, ayoconnect, tada, twisto, prepaynation	ayoconnect, Grab, pritle., Qwist, StablR, cermati	halofina, BUX, Safened, ScalingFunds	Pintek, Purely Capital, Trussle, Frits, ZOPA, smeo, Supply Finance, Hendrick, twin capital	symmetrical, lantum, JOJONOMIC	TaxScouts, AccountsIQ	fourthline, SALVIOL, eflow, intelliment security, AYLIEN	brytlyt, goodlord, FIXICO, squirro, LAVANDA, PerfOps, webio, hiber, ScalingFunds

Executive Summary: UK Dominates, Midsized M&A Thrives, and Funding Crisis Spurs Sustainability

2024 continued to been a turbulent year for European FinTech. Although funding continued to decline, the sector is much more resilient with some green shoots on the horizon. European FinTech continued to have a thriving mid-market M&A almost the same size as the US, but as one of Europe's largest sector, it needs to prove it can consistently exit unicorns. The UK dominates the European ecosystem even more now, with 65% of the funding landing in the UK

Please find some of the key observations:

- Funding dropped by 25% as fewer deals came to market and less funding is required post the focus on profitability;
- Higher interest rates resulted in record profits for Challenger Banks and attracted large rounds (Monzo, Revolut) which gave a boost to funding combined with the end of the crypto winter;
- Growth companies with higher EBITDA margins achieve higher revenue multiples (10x+), More emphasis is now placed on EBITDA margin than revenue growth;
- Unicorn chasing is subdued, with a strong European market for low to mid market M&A almost similar in size versus the US while large cap being 2-3x smaller;
- Battle is on with incumbents as they are hiring in tech much more aggressively than FinTechs

UK Dominates, while Netherlands and Nordics remain resilient, and Governments are stepping up their role to continue to provide funding to the ecosystem

- UK coming strong out of the turbulence, representing now 65% of volume
- Ireland, Germany, France and Spain have seen large govt initiatives to fuel growth in 2025
- Nordics and the Netherlands have been a resilient surprise with funding holding up, with more Leveraged Buyout investments showing more mature profitable companies
- Poland needs more opportunities in Series A to B stages

AI has taken the FinTech sector by storm, with several public announcements from insurers or BNPL players on the success they have had in implementing these solutions

Outlook for 2025: Continued focus on profitability and consolidation and breakthrough for stablecoins

- Sustainable business models: This will continue to be the theme for the foreseeable future, and we expect investors to keep pushing for capital efficient growth
- Key areas we foresee strong momentum the next 6 to 12 months are:
    - Insurers going all in on AI
    - Other consumer sectors learning from banking to become profitable
    - Strategic payments M&A to counter PE payments M&A
    - Fundamental shift in wealth & asset management with market intelligence access key
    - Rebound of BNPL
    - Compliance driving decision making
    - Seriousness of stablecoin’s offering for institutional investors

01.

State of European FinTech

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Evolution of "Modern FinTech" from consumer to deep technology infrastructure

FinTech is no longer consumer payments or money management. It is complex infrastructure that the world runs on. The next iteration will continue to be more B2B focused first.

FinTech 1.0

- E-Banking
- E-Commerce
- E-Wallets

FinTech 2.0

- Money remittance
- Mobile payments
- Digital insurance
- Digital Lending

FinTech 3.0

- Payments rails
- Opening banking
- Digital currency infrastructure

?

Share of Funding	FinTech 1.0		FinTech 2.0		FinTech 3.0	
	B2B	B2C	B2B	B2C	B2B	B2C
	30%	70%	45%	55%	60%	40%

European FinTech went through a phase of scrutiny and emerging stronger now

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Macro

€2.9Bn
Down -25% from €3.8Bn in H1 2023
Capital invested in European FinTechs in H1 2024.

443
Down by -19% from 548 in H1 2023
Number of fundraising deals in H1 2024.

32%
Up from 14% in 2021
Share of <€500m global M&A exit happening in Europe; Less deals but resilient market.

-2813
Decrease by -6% from 3100 in H1 2023
Announced laid-off employees in European FinTechs in the last 12 months.

Insights

65%
Up from 58% in H1 2023
UK dominating share of capital raise.

25.2%
Up from 19.7% in H1 2023
Flat and down rounds rise in H1 2024 as valuations have not picked up.

9%
Down from 15% in 2022
Share of top 15 M&A leaders in H1 2024; the exit market is diversifying.

+1472
Up by 10% in the last 12 months
Number of IT/Engineers hires in Top 10 European FinTechs despite layoffs.

Sources: Finch Capital Team analyses, Pitchbook, Sifted, Layoffs.fyi. LinkedIn

Funding: Banking takes the lead, Crypto battles for a breakthrough

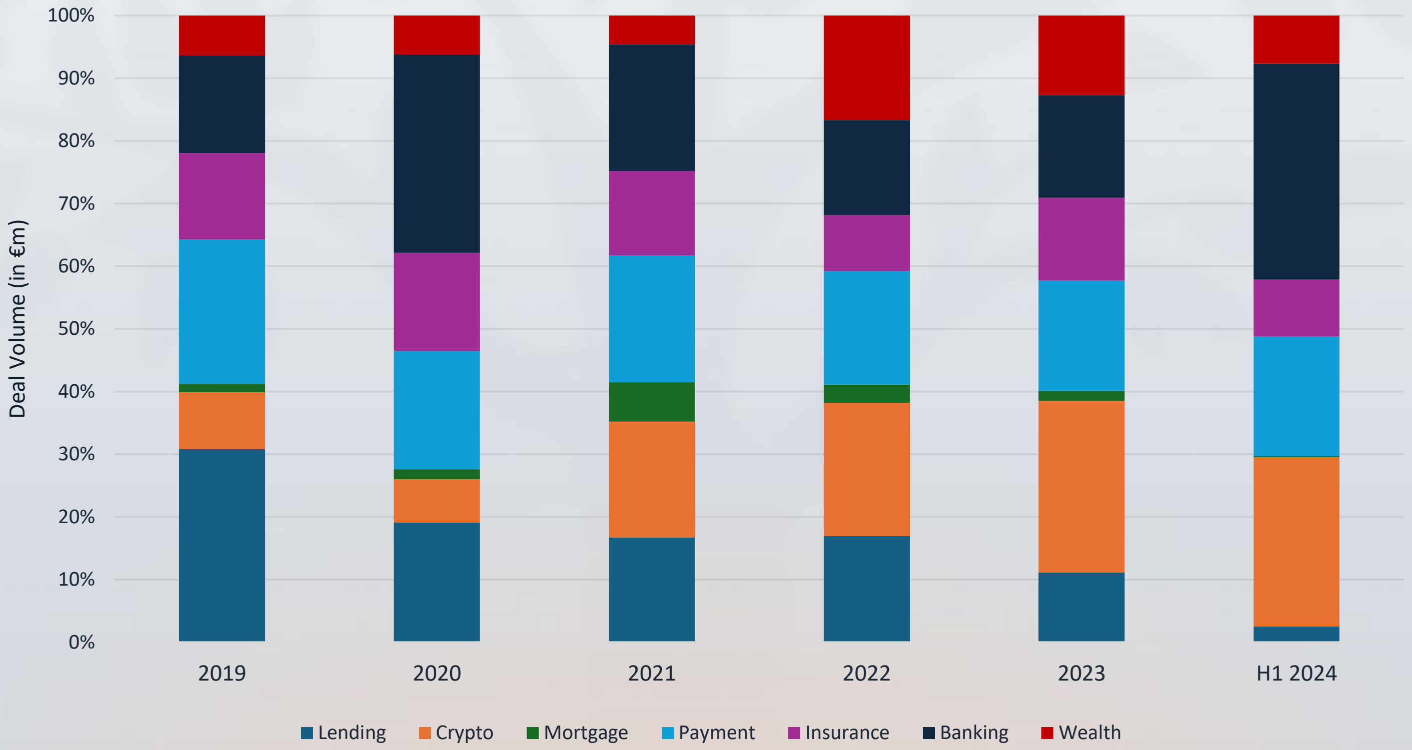
Banking is the most mature sub-sector, with a few emerging leaders attracting most of the funding available. While Wealth and Crypto are attracting a lot of attention and offering a variety of investment opportunities at the early stage, there are not clear winners in sight yet. Lending and Mortgage are still to recover from the rise of interest rates.

The top subsectors in # deals – H1 2024

1. Crypto
2. Wealth
3. Payment
4. Insurance
5. Banking

Top subsectors in deal value – H1 2024

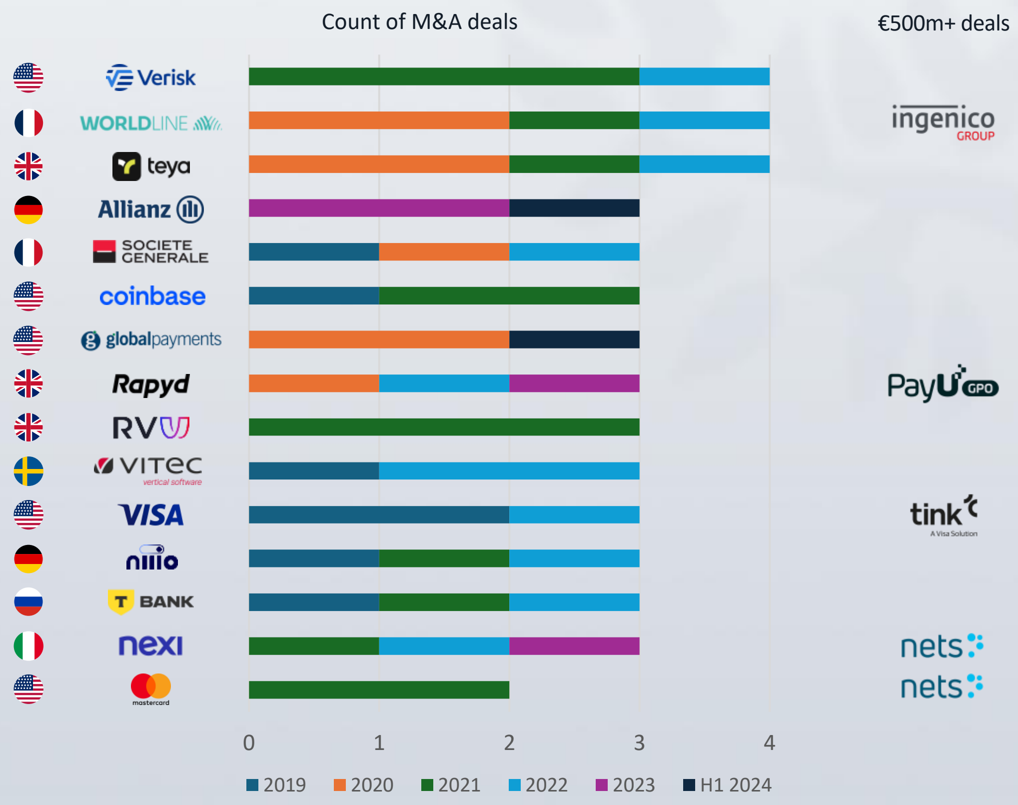
1. Banking
2. Crypto
3. Payment
4. Insurance
5. Wealth



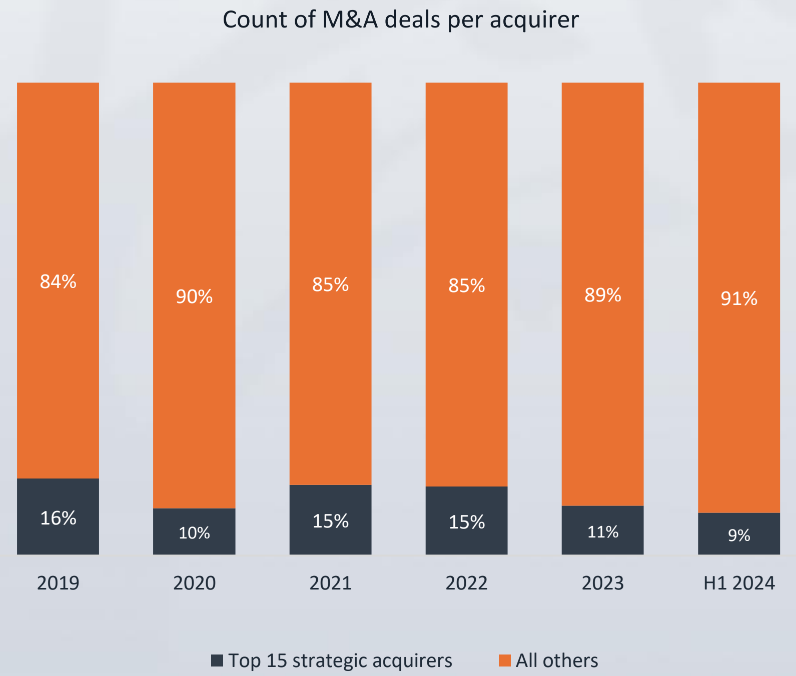
Source: Finch Capital Team analyses, Pitchbook

M&A: Top US acquirers are not running the show for European FinTech M&A anymore

Top 15 strategic acquirers of European FinTechs since 2019



The pool of strategic acquirers is diversifying

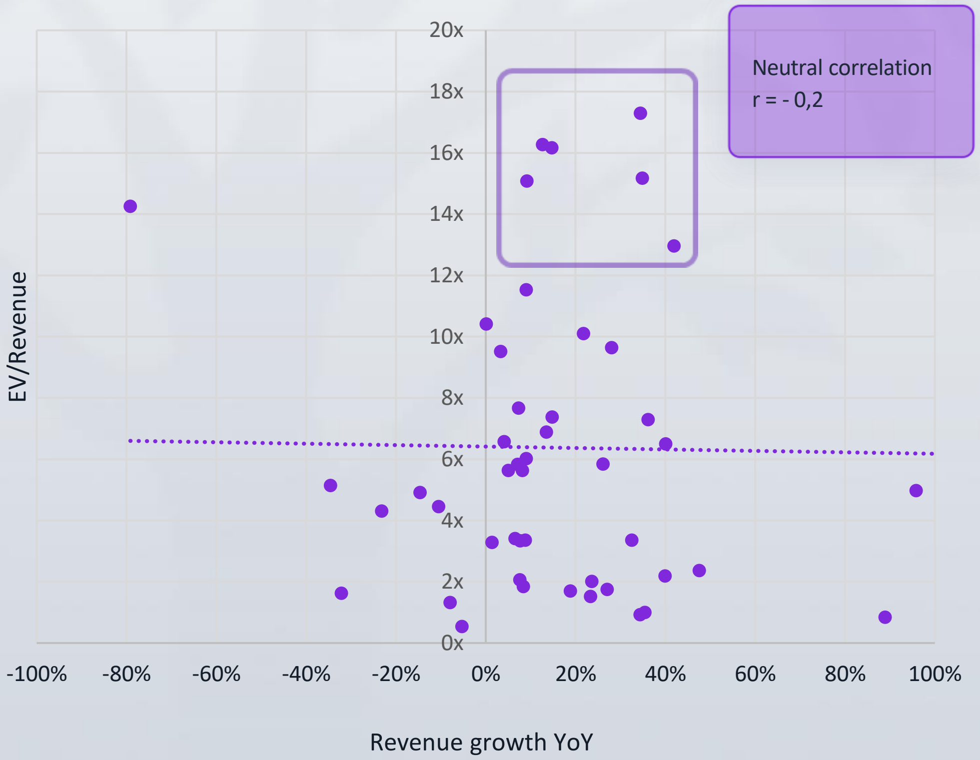


Source: Finch Capital Team analyses, Pitchbook

Profitability is the main driver of valuation for public FinTech leaders

The highest-valued companies have +40% EBITDA margins and 10-40% year-on-year revenue growth

Revenue growth versus profitability as value drivers – Q2 2024



*Methodology: We analyzed 10 companies from each of the following sub-sectors: Mortgage/Lending, Banking, Insurance, Payments, Wealth, and Crypto. For each company, we examined two key components of the Rule of 40: revenue growth (%) and EBITDA margin (%) for Q2 2024 and produced these scatter plots to visualize the correlation between the two components and EV/Revenue multiples.

Source: Finch Capital Team analyses, Pitchbook

The average FinTech is trading at 4.5x EV/Rev and 19.3x EV/EBITDA

While the Rule of 40 tends to drive valuations in more established sectors like Banking and Payments, the volatile nature of Crypto doesn't adhere to this metric.

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*Methodology: We analysed 10 public companies from each of the following sub-sectors: Mortgage/Lending, Banking, Insurance, Payments, Wealth, and Crypto

Source: Finch Capital Team analyses, Pitchbook

Slowing large-cap M&A activity heightens urgency for IPO market revival

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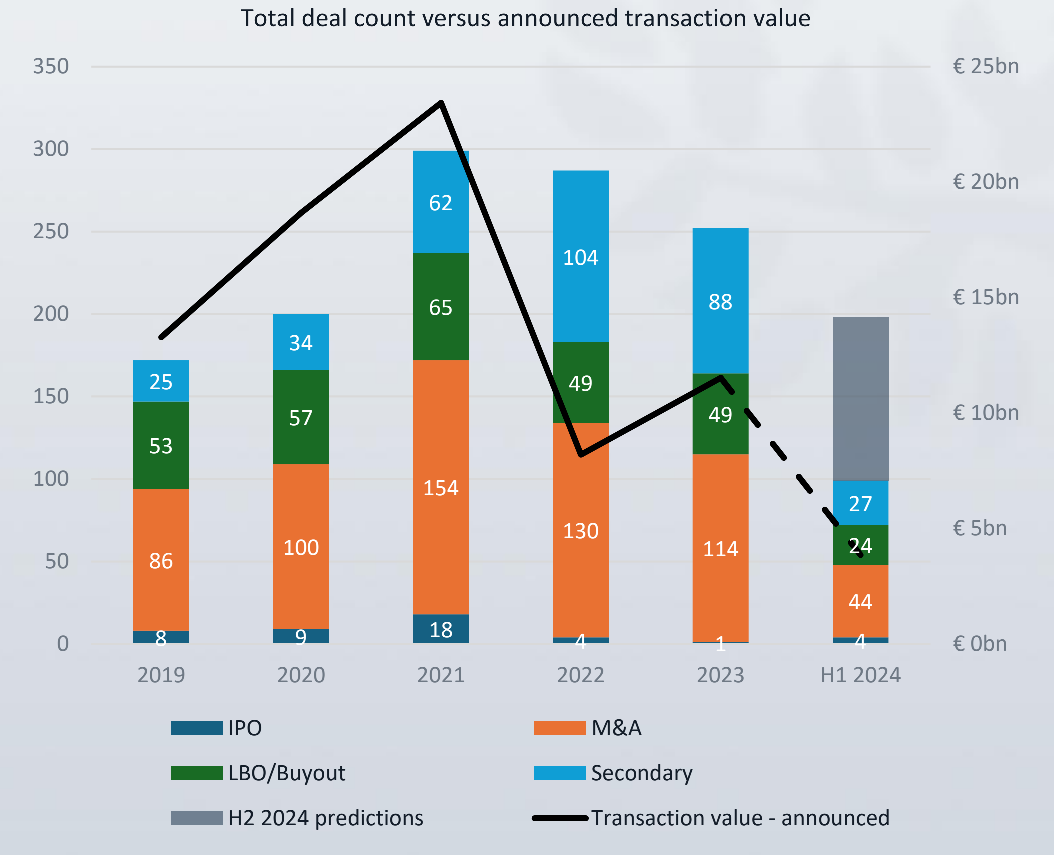
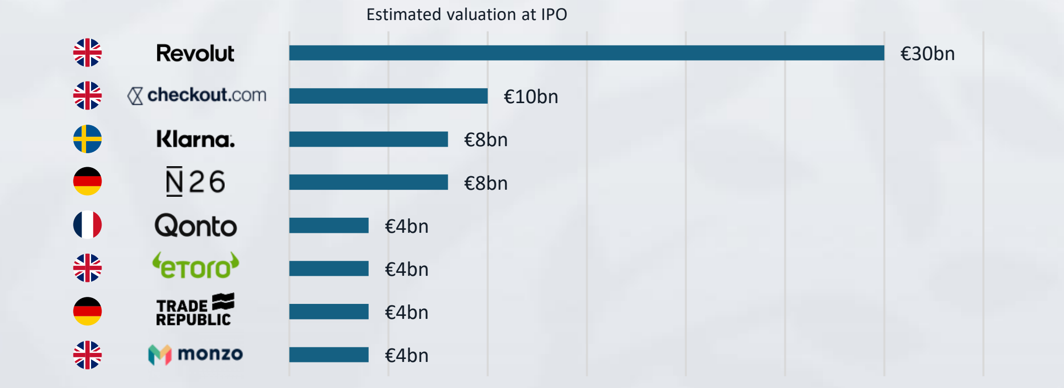
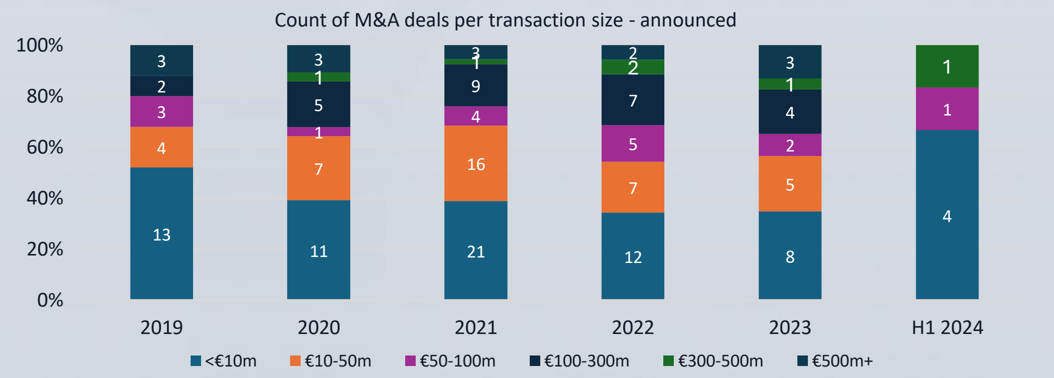
European FinTech Exits



The IPO bottleneck needs to be reduced in the next 12 months



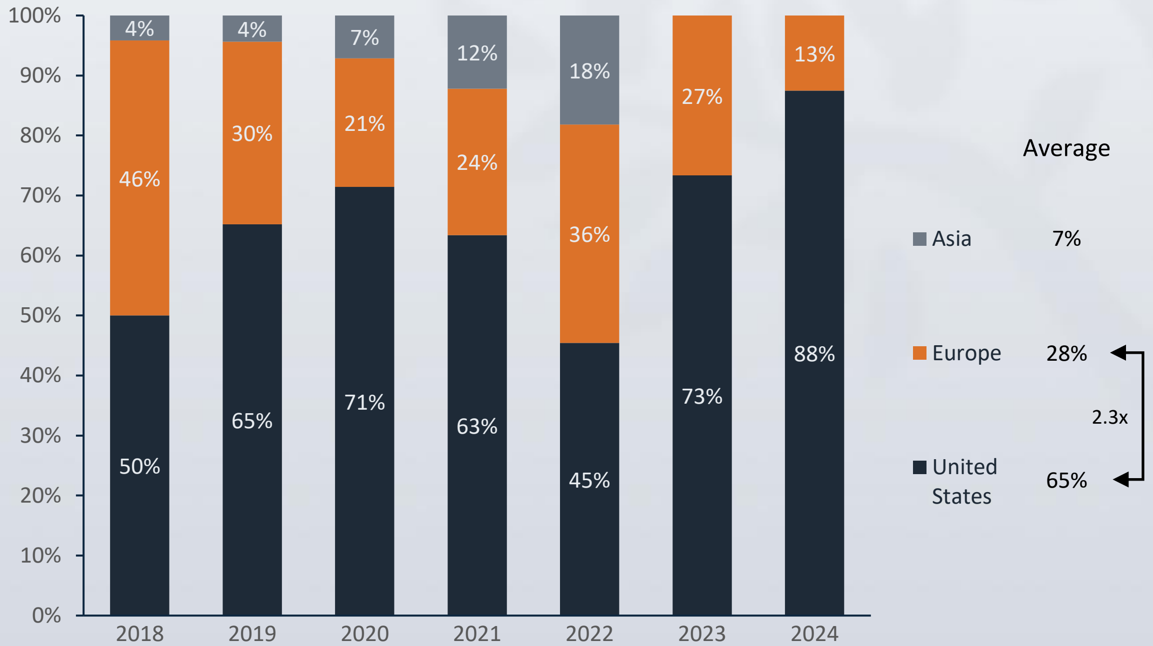
€500m+ M&A deals are non-existent this year so far



Source: Finch Capital Team analyses, Pitchbook

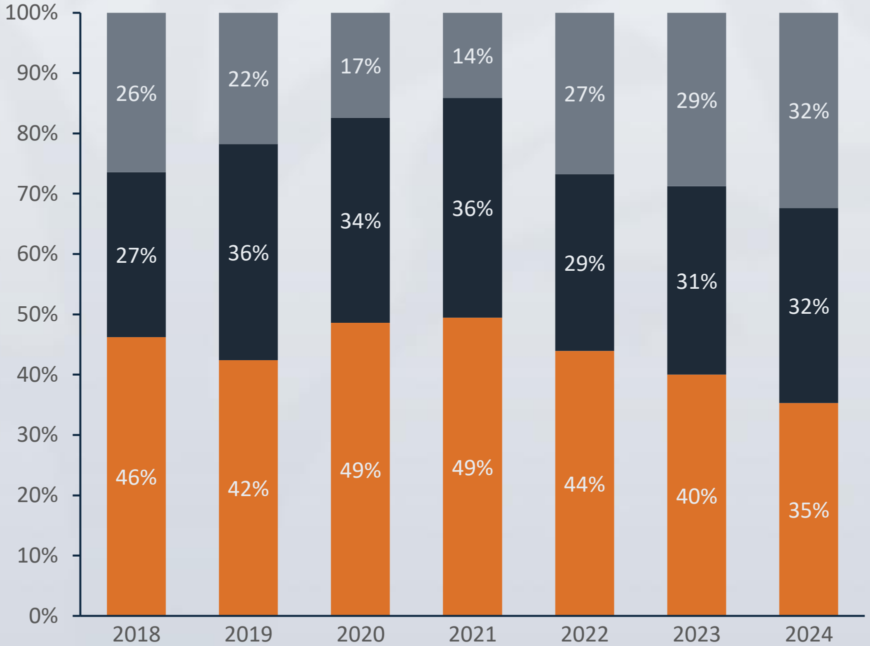
M&A: US is the preferred market for large exits, while Europe has a similar sized <500m market

€500M+ Exit Volume



	2018	2019	2020	2021	2022	2023	2024
Asia	1	1	2	5	2		
Europe	11	7	6	10	4	4	1
United States	12	15	20	26	5	11	7

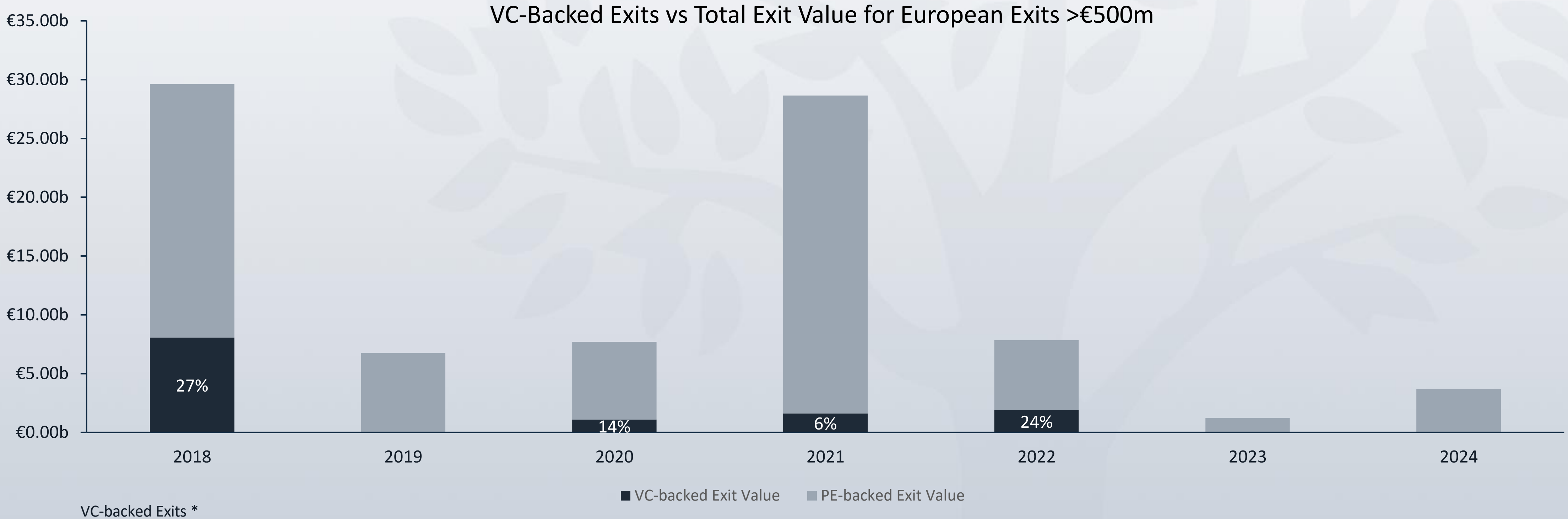
<€500M Exit Volume



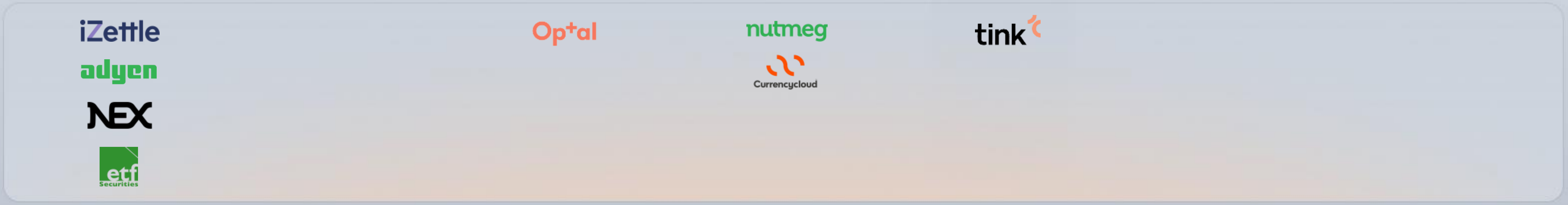
	2018	2019	2020	2021	2022	2023	2024
Asia	28	20	19	26	31	23	11
Europe	29	33	37	67	34	25	11
United States	49	39	53	91	51	32	12

Source: Finch Capital Team analyses, Pitchbook

M&A: Largest FinTech exits in Europe have been PE-backed not VC-backed



VC-backed Exits *



* Where VC was a shareholder at exit

Incumbents are hiring more engineers and developers than the biggest FinTech players

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Tech Engineers / IT department employee # hires in the last 12 months

	Digital Leaders	IT department	Engineering	Incumbents	IT department	Engineering
Banking	Revolut	355	320	HSBC	207	741
	Qonto	16	81	ING	301	543
Payment	adyen	18	82	mastercard	242	971
	stripe	68	457	VISA	120	567
Lending	Funding Circle	0	-21	UniCredit	-60	-16
	Klarna.	-34	-45	American Express	169	866
Insurance	wefox	-10	-49	ZURICH	113	102
	alan	6	17	Allianz	555	466
Wealth	TRADE REPUBLIC	9	38	Amundi Asset Management	23	12
	eToro	-2	5	BlackRock	74	276

The largest incumbents are investing in digitization and in-house engineering, how will this impact the wider corporate FinTech ecosystem?

Source: LinkedIn

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02.

State of FinTech in key European Countries

The dominant role of the UK continues to grow and remains a global FinTech powerhouse

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General highlights

- As the UK's interest rate trajectory heads downwards and uncertainties surrounding impending elections are availed, we anticipate investment and M&A to grow into H2 2024 and 2025.
- A Labour government, the first since 2010, gives rise to questions and possibilities around public and private sector investor collaboration as the new chancellor kicks off with the unveiling of a £7.3B National Wealth Fund.
- UK Private Capital industry shows resilience as Venture Capital and Buyout fundraising maintains consistency from 2023 (73 funds) to YTD 2024 (41 funds), though a return to the 2021 peak of 103 funds remains out of reach.

FinTech highlights

H1'23 FinTech funding
€2.02B

+3%

H1'24 FinTech funding
€2.08B*

*Excludes Abound deal

-13%
Exit transaction volume H1'23 to H1'24

Largest H1'24 deal
€580M
*€933M Abound deal <5% equity
monzo

-10%
Non-exit transaction volume H1'23 to H1'24

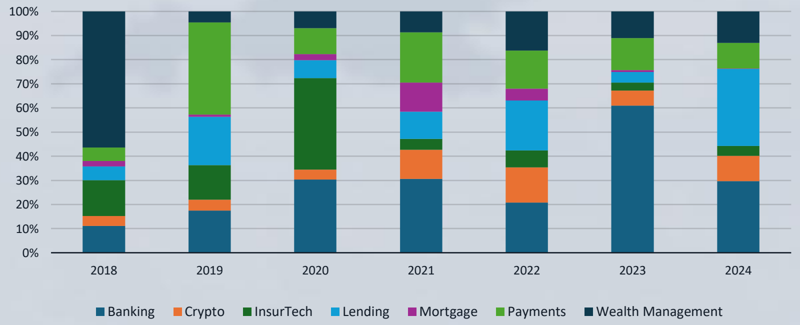
+38%
Median post-money valuation 2023 to 2024

2024 Notable M&A
takepayments

Rising Stars in FinTech

SAPI	Embedded financing platform
Swiipr	Airline disruption payments
Jenesys.	AI financial co-pilot
BANKIFI	Bank engagement platform
PACTIO	Private Equity software platform

Capital Invested in FinTech (% of €)



Most Active FinTech Investors #Deals in 2024

andreessen horowitz	7
MH VENTURES	5
COGITENT VENTURES	4
SFC Capital	4
octopus ventures	3

Source: Finch Capital Team analyses, Pitchbook

Resilient Dutch FinTech ecosystem driven by mix of PE and Venture investments

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General highlights

- Dutch fundraising undergoes a strategic correction in 2024, with average fund sizes shrinking, yet the market remains resilient as the number of funds raised climbs from 12 to 13 year-to-date.
- Dutch venture capital gets a vital boost as Invest-NL and the European Investment Fund launch Dutch Future Fund II, injecting at least €200 million into VC funds to fuel growth.
- With a resilient VC funding environment ready to capitalize on the Netherlands' FinTech leadership and global hubs like Amsterdam, Dutch FinTech investment is set to accelerate as we close 2024 and move into 2025.

FinTech highlights

H1’23 FinTech funding €152M

+39%

H1’24 FinTech funding €212M

+200%
Exit transaction volume H1’23 to H1’24

Largest H1’24 deal
€92M
moove

-44%
Non-exit transaction volume H1’23 to H1’24

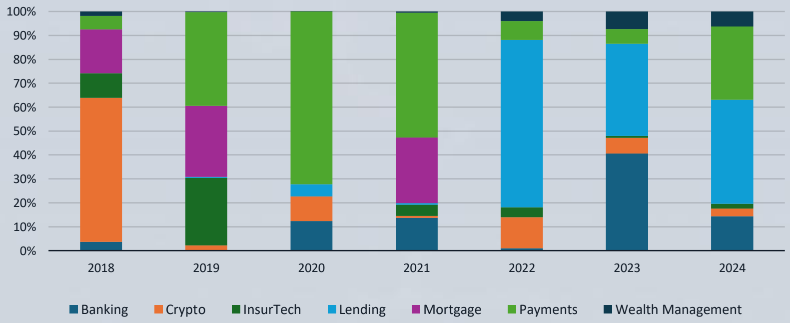
+109%
Median post-money valuation 2023 to 2024

2024 Notable M&A
icoinic

Rising Stars in FinTech

Levenue	Revenue financing platform
Sofie	Personal finance platform
carbon equity	Climate investing platform
Pensify	SME pension platform
D2X	Crypto derivatives exchange

Capital Invested in FinTech (% of €)



Most Active FinTech Investors #Deals in 2024

PICUS CAPITAL	2
CONTANGO	2
cogitocapital	1
MAIN	1
COATUE	1

Source: Finch Capital Team analyses, Pitchbook

Irish FinTech is still finding its footing, but we expect a recovery in 2025

FINCH CAPITAL

General highlights

- Irish venture and buyout capital in 2024 is on par with 2023, but average VC & PE fund sizes are shrinking fast—down 40%, from $179M to $107M, meaning capital is spread cross more fund managers.
- Irish FinTech fundraising is more robust than it appears at first glance. Major deals like Companjon's €187.5M in 2023 and SoftCo's €100M in 2024 heavily influence the total capital raised, masking a solid underlying growth trend.
- We expect Irish FinTech investment to steadily grow in 2025, as confidence returns with rising deal volumes and standout companies from 2022 and 2023 seed rounds seeking Series A funding.

FinTech highlights

H1'23 FinTech funding €212M

-90%

H1'24 FinTech funding €22M (Excl. SoftCo €100M M&A)

+100% Exit transaction volume H1'23 to H1'24

Largest H1'24 deal €10M zartis

+0% Non-exit transaction volume H1'23 to H1'24

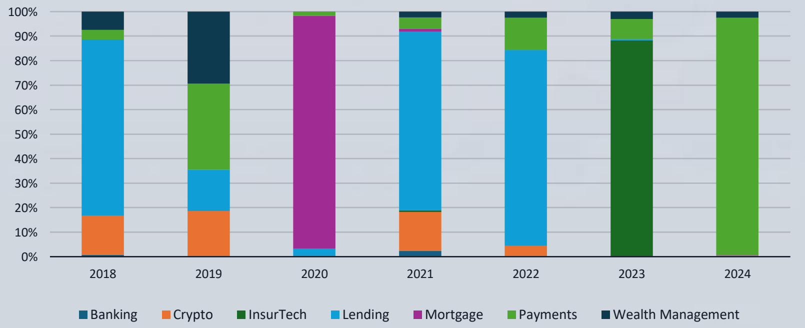
+72% Median post-money valuation 2023 to 2024

2024 Notable M&A - €100M SoftCo

Rising Stars in FinTech

Vesta Insights	AI-based mortgage platform
we2sure	Sustainable InsurTech platform
Kayna	Embedded insurance platform
STRATxAI	AI investing platform
JUSTTIP	Cashless tipping platform

Capital Invested in FinTech (% of €)



Most Active FinTech Investors #Deals in 2024

Enterprise Ireland	16
NDRC	2
furthr	2
DELTA PARTNERS	1
KEENSIGHT CAPITAL	1

Source: Finch Capital Team analyses, Pitchbook

Step up in SWF capital is setting the stage for a promising few years

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General highlights

- Germany heads into 2024 with a 43% increase in average venture and buyout fund sizes, rising from $216M to $310M. The country is on pace to match 2023's capital raised, but it's now concentrated among fewer fund managers.
- The German government is set to inject €1.75B into tech startups via the German Future Fund, aiming to attract an additional €1.75B in private capital—hoping to supercharge the startup and venture capital ecosystem for years to come.
- The German investment landscape has shown resilience amid global economic headwinds, with sustained stability that is poised to strengthen further as investor confidence rebounds and government initiatives ignite future growth.

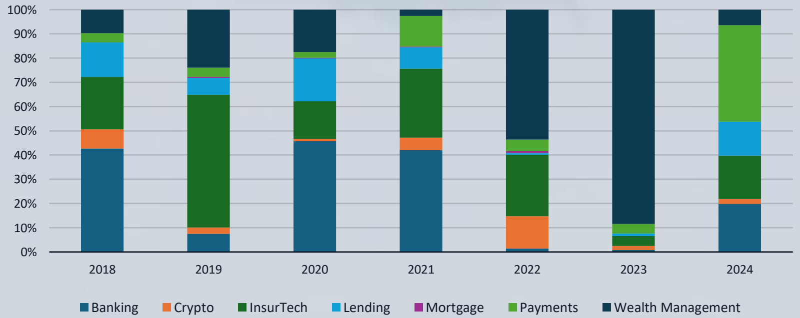
FinTech highlights

H1'23 FinTech funding €527M	-9%	H1'24 FinTech funding €482M	+0% Exit transaction volume H1'23 to H1'24	Largest H1'24 deal €151M pliant	-18% Non-exit transaction volume H1'23 to H1'24	+17 Median post-money valuation 2023 to 2024	2024 Notable M&A tis

Rising Stars in FinTech

air	Financial autonomy platform
hepster	Digital insurance platform
BITA	Financial indexation platform
naro	Embedded investment platform
SmartLoC	B2B Payments

Capital Invested in FinTech (% of €)



Most Active FinTech Investors #Deals in 2024

MOTIVE PARTNERS	3
VH VENTURES	2
HV CAPITAL	2
LAKE STAR	2
SBI Investment	2

Source: Finch Capital Team analyses, Pitchbook

Poland has a promising early-stage ecosystem, but needs more growth deals

General highlights

- Despite only Innova Capital raising a fund in 2024, it single-handedly boosted aggregate capital raised by 267%, from €120M in 2023 to €440M in 2024.
- Government backed PFR Ventures remains a prominent LP in Polish-focused VC funds, now with +3 PLN b AuM, 60+ portfolio funds and 650+ indirect portfolio companies. A strong government-sponsored capital allocator within a talent-rich economy underscores a bullish future for Polish FinTech
- Over 80% of Polish FinTech deals in 2023-2024 were seed and early-stage rounds, setting the stage for a surge in Series A and B investments as we move into 2025 and beyond.

FinTech highlights

H1'23 FinTech funding €52M

-96%

H1'24 FinTech funding €2M

-100%
Exit transaction volume H1'23 to H1'24

Largest H1'24 deal
€1.8M
NOMOEX

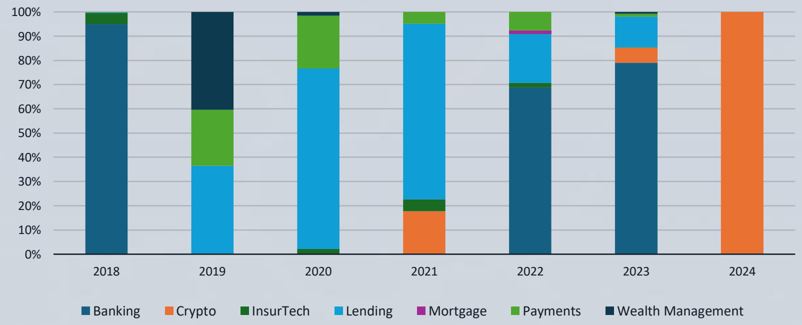
-78%
Non-exit transaction volume H1'23 to H1'24

-+72%
Median post-money valuation 2023 to 2024

Rising Stars in FinTech

orovera	Social payments platform
Flexee	Earned wage access
STIX	Digital asset trading platform
WEALTHON	Bridge lending platform
FENIGE all about payments	Mobile payment platform

Capital Invested in FinTech (% of €)



Most Active FinTech Investors #Deals in 2024

AYDTON ventures	1
MBT VENTURES	1

Source: Finch Capital Team analyses, Pitchbook

France under pressure to diversify outside AI as funding and volume fall

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General highlights

- France's average fund size skyrocketed 74%, jumping from $587M to $1.03B. While total capital raised is set to just miss 2023 levels, it has already surpassed 2022, with fewer managers controlling the funds.
- France's 2023 FinTech figures may be skewed by Ledger's massive €460M raise but stripping that out reveals a 36% funding surge—clear evidence of the tech market's undeniable strength and resilience.
- France's FinTech sector has thrived under pressure, and with AI technologies advancing at lightning speed, 2025 is set to unleash a wave of innovative new players ready to disrupt

FinTech highlights

H1'23 FinTech funding €717M

-73%

H1'24 FinTech funding €196M

+100%
Exit transaction volume H1'23 to H1'24

Largest H1'24 deal
€46M
Morpho

-49%
Non-exit transaction volume H1'23 to H1'24

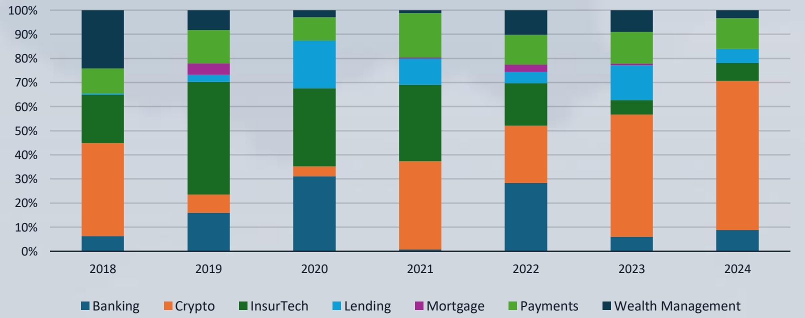
+7%
Median post-money valuation 2023 to 2024

2024 Notable M&A
HARVEST

Rising Stars in FinTech

Continuity	Insurance intelligence platform
Julaya	Money transfer software
estaly	Embedded insurance platform
Respaid	Online payment platform
Narval	Web3 wallet platform

Capital Invested in FinTech (% of €)



Most Active FinTech Investors #Deals in 2024

ISG Ventures	2
kima ventures	2
Kraken Ventures	2
Leadblock Partners	2
bpifrance	2

Source: Finch Capital Team analyses, Pitchbook

Growing Funds and €20B Government Initiative Set the Stage for Tech Growth into 2025

FINCH CAPITAL

General highlights

- In YTD 2024, Spain's Venture and Buyout fund managers have surpassed 2023's capital, raising $840M—a 17% jump from last year's €720M. With average fund sizes skyrocketing 57%, from €60M to €140M, this capital is now concentrated among fewer managers.
- The Spanish government is launching the Spanish Society for Technological Transformation (SETT), a €20 billion state-owned investment company aimed at attracting private investment and expertise into key sectors like semiconductors, capitalizing on the AI surge.
- With Spain's private capital sector thriving and government initiatives supporting investment in new technologies, the country is well-positioned for steady growth in its tech industry as we approach 2025.

FinTech highlights

H1'23 FinTech funding €146M

-71%

H1'24 FinTech funding €42M

-80 %
Exit transaction volume H1'23 to H1'24

Largest H1'24 deal
€15M
Embat

-38%
Non-exit transaction volume H1'23 to H1'24

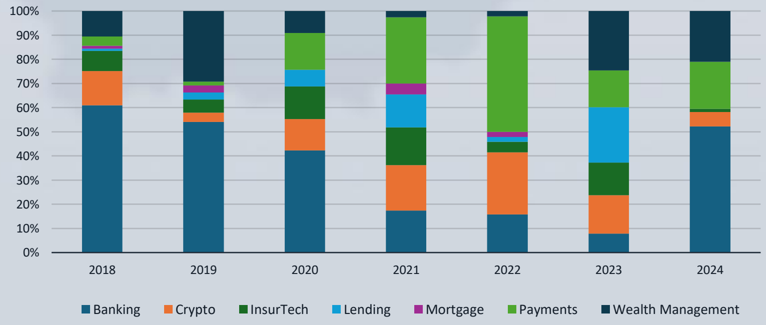
-35%
Median post-money valuation 2023 to 2024

2024 Notable M&A - €40M
unnax

Rising Stars in FinTech

inbestMe	Portfolio management platform
NEO	Forex hedging platform
danelfin (smart investing made easy)	AI-based stock intelligence
finboot	Blockchain-enabled software
EALYX	Product trade-in platform

Capital Invested in FinTech (% of €)



Most Active FinTech Investors #Deals in 2024

Demium.	2
GOHUB Ventures	2
JME VENTURES	2
LANAI	2
PSG	1

Source: Finch Capital Team analyses, Pitchbook

Stability is the theme in the Nordics, but there is a shift towards larger deals

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General highlights

- Nordic venture and buyout fundraising is on fire, with a staggering $38B raised YTD 2024—a 352% surge from 2023's $8.4B—fuelled by EQT's colossal €22B mega fund.
- The Nordic FinTech sector is flexing its muscles, with both fundraising and transaction values soaring, even as deal volume dips—signalling a shift towards bigger, more mature investments.
- With a robust private capital pipeline and a dynamic FinTech investment landscape, the Nordics are primed to supercharge their early-stage startups, propelling them through growth phases and into market leadership over the coming years.

FinTech highlights

H1'23 FinTech funding €208M

+1%

H1'24 FinTech funding €210M

-71%
Exit transaction volume H1'23 to H1'24

Largest H1'24 deal
€45M
Flatpay

-27%
Non-exit transaction volume H1'23 to H1'24

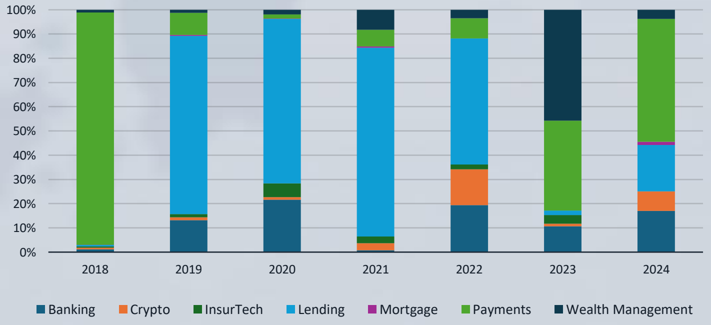
-1%
Median post-money valuation 2023 to 2024

2024 Notable M&A - €391M
PAGERO

Rising Stars in FinTech

Softpay.io	Online payment application
PERFORMATIV	Wealth management software
trine	Sustainability-led crowdfunding
monthio	Personal financing platform
FOCAL PAY	Retail and payments platform

Capital Invested in FinTech (% of €)



Most Active FinTech Investors #Deals in 2024

ANTLER	2
VNTRS	2
dawn.	1
MAIN CAPITAL PARTNERS	1
MOTIVE PARTNERS	1

Source: Finch Capital Team analyses, Pitchbook

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03.

Opportunities Likely to Emerge In Current Situation

8 themes shaping FinTech

Insurance

1 Insurance gets an AI Upgrade: 4 in 5 actuaries now use AI to slash risk and boost accuracy

Payments

2 Private equity is eating payments, the strategics need to act now or be eaten up

3 B2B payment infrastructure needs to see flexible payment terms if they want to survive

Banking and Digital Currency

4 Neobanks are back with a bang!

5 Stablecoin can propel to crush traditional banking

Wealth and Capital Markets

6 Cost cutting revolution in wealth advisory underway

7 The trading desk is overhauled with advanced data

Lending

8 BNPL has beaten skeptics and is making a comeback

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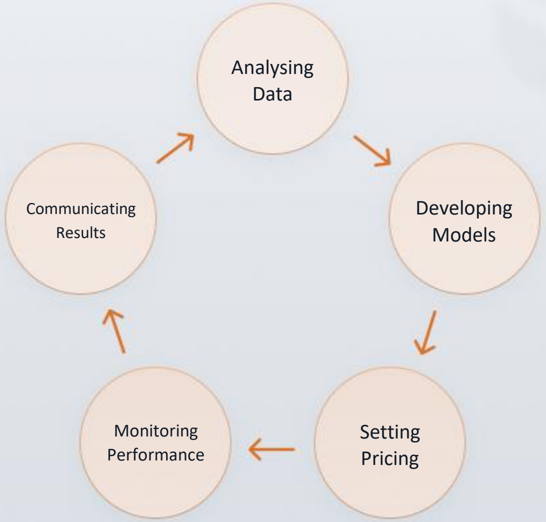
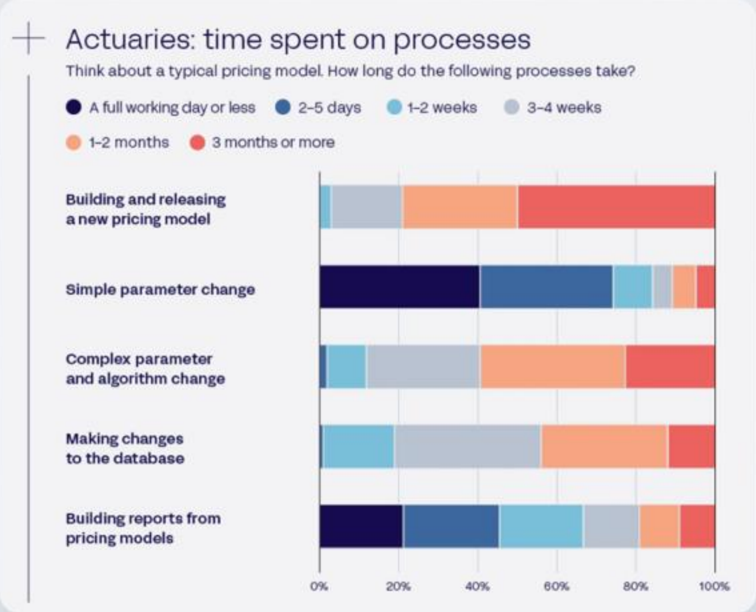
Insurance gets an AI upgrade: 4 in 5 actuaries now use AI to slash risk and boost accuracy

1

The role of an actuary in under threat from AI





Key Takeaway: It is clear that building new pricing models take up nearly 3x more time than any other function – and this is the reason it will be first to be disrupted by AI… but the future is collaborative.

- Actuaries themselves will use NO CODE tools to train AI
- Actuarial shortage will continue – demand to increase by 24%
- Key skills shift from mathematical to communication

Source: Hyperexpotential, Finch Analysis

Private equity is eating payments, the strategics need to act now or be eaten up

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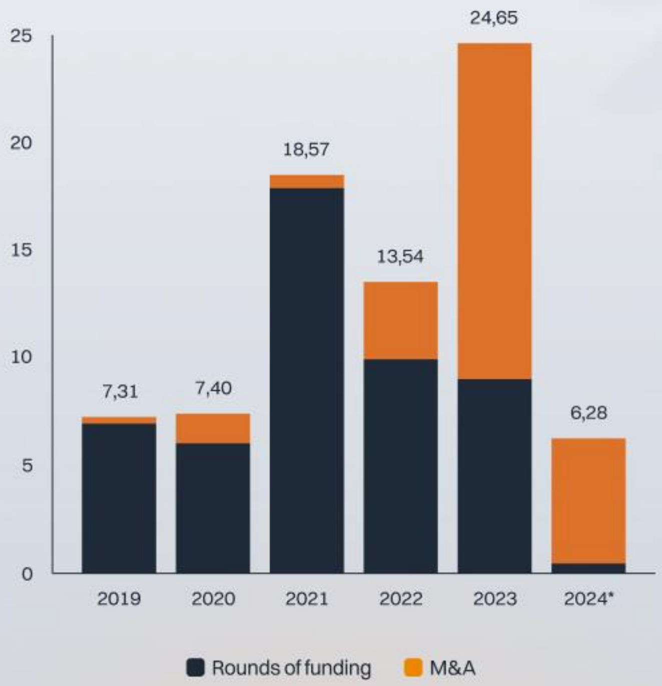
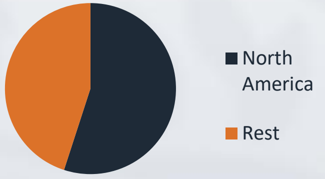
Last 2 years have seen best M&A environment with PEs

Global PE/VC-backed investments in payments industry, 2019-2024 ($B)

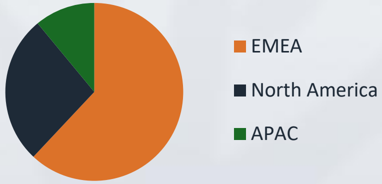


Most strategics have concentration in local geo's and have lots of cash

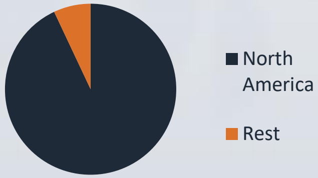
PayPal $14 B



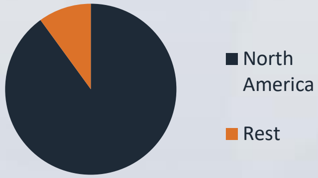
adyen $9 B



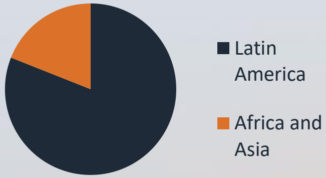
Square $6 B



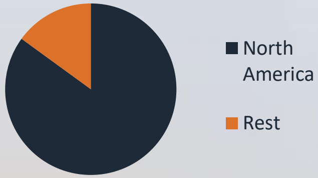
stripe Est. $1-3 B



d·local 600m



fiserv. $1.2 B



*Denotes amount of cash and equivalents on balance sheet

What can they buy?

1. Market share in Asia

2. Ancillary products

B2B payment infrastructure needs to see flexible payment terms if they want to survive

3

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Despite the advent of virtual cards, CFOs continue to use ACH and the story is similar in Europe

The future of B2B payments

- 83% of B2B buyers abandon an e-commerce purchase if no payment terms are offered
- Nearly 30% of B2B customers are slowing down payments to their customers
- Need to be viewed as part of a broader AP/AR process for business, not in isolation
- Virtual cards have technical ability to add this functionality quicker than networks, but it is expensive

Key Takeaway:

Instant payments only makes sense if an intermediary can provide payment terms. If low cost networks (ACH, SEPA, BACS) can add this flexibility, adoption will skyrocket.

Source: PYMTS

4 Neobanks are back with a bang!

Challenger banks are proving that they can rightly challenge incumbents now that interest rates increased

	2022 revenues	2022 profit	2023 revenues	2023 profit
Revolut	£923	-£25	£1,800	£438
ZOPA	£151	-£25	£226	£16
monzo	£356	-£116	£880	£15
Starling Bank	£453	£196	£682	£301
Atom bank	£76	-£6	£100	£12
N26	£223	-£180	£254	-£85
tandem	£69	£4	£88	£17

Why are they making money now?

- Interest rates have increased. Those with a deposit capability have seen Net Interest Margins have increase
- Neobanks were one of the first to cut costs in 2021/2022 as interest rates plummeted
- Cards/Interchange growth is contributing to the growth
- They have diversified their revenue streams particularly ones with multiple products (subscription, trading, fx)

Key Takeaway:

With interest rates likely to fall in the next 2-3 years, it will be critical to see how the “neo banks” adapt to a more stable interest rate environment.

Note: In some cases where FY 2024 closes in H1 2024, considered 2023 results. Pre-tax profits also considered to be profits for some banks that have loss carry forwards

Source: Finch Capital Analysis

Stablecoin can propel to crush traditional banking

5

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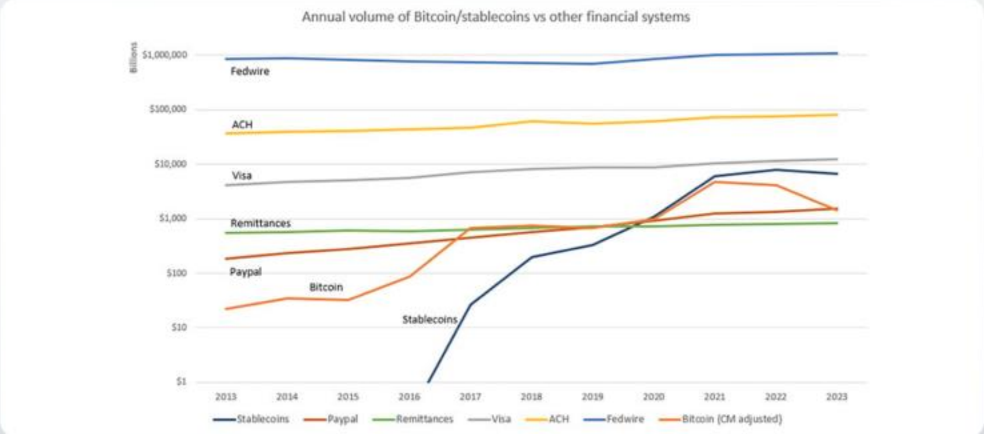
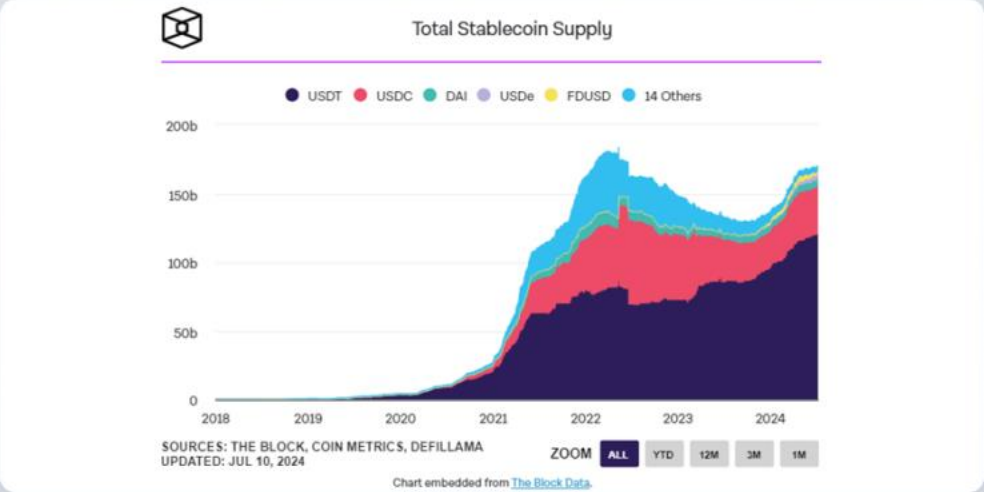
The use and supply of Stablecoin has been higher than ever





The incumbents are serious about stablecoin

- Incumbents are threatened by Stablecoins and as a results banks with their own programs hold an advantage particularly with the regulatory
- Questions will start to arise about Tether and Circle's reserve management policies
- If existing payment companies leverage stablecoin to increase its Total Payment Volume, that could potentially be game changing for issuers

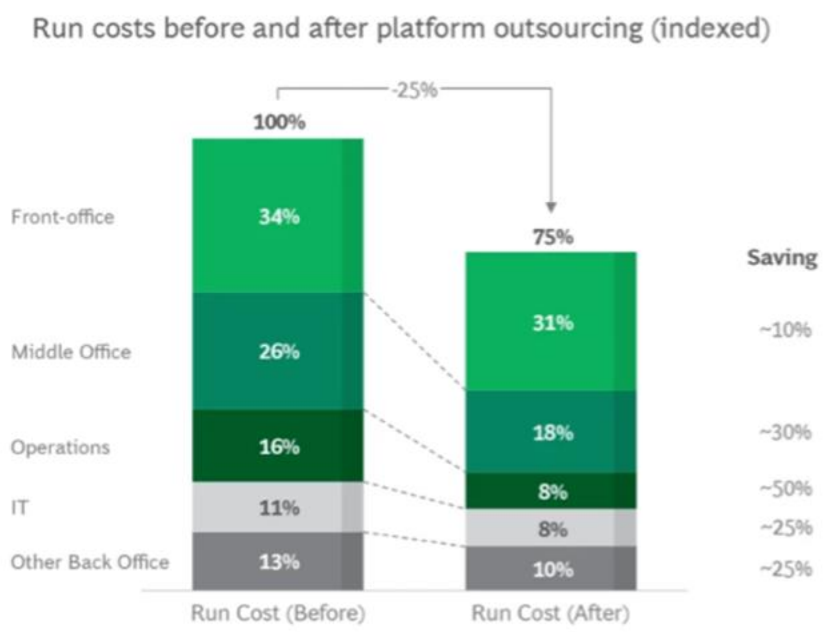
Key Takeaway:

Stablecoins can be a true competitor to a card network and banks will do what they can do avoid that. The biggest hurdle remains KYC, something the regulators will insist on from these networks

Source: Nick Carter Castle Island Ventures, The Block Data.

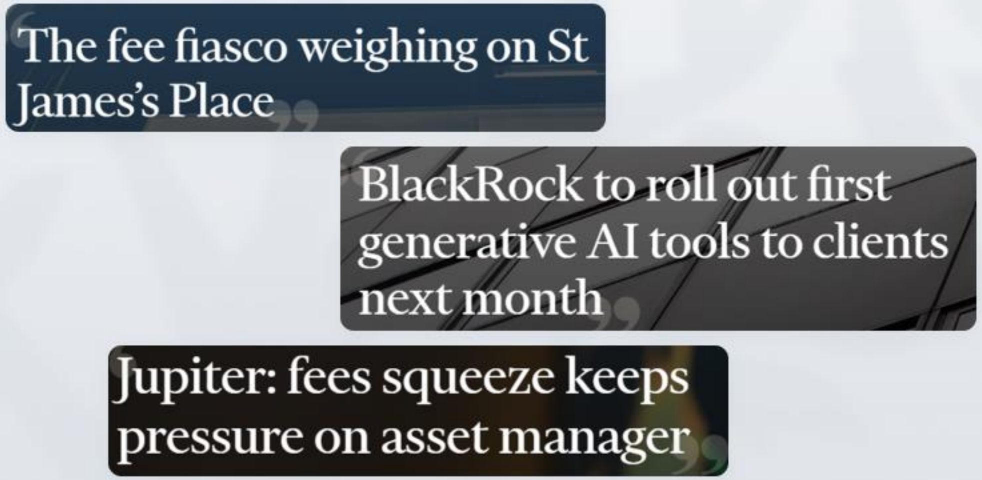
6 Cost cutting revolution in wealth advisory underway

Mid Office and Operations are likely to see continued cost reductions via outsourcing to third parties



Source: FNZ

The incumbents are serious about stablecoin



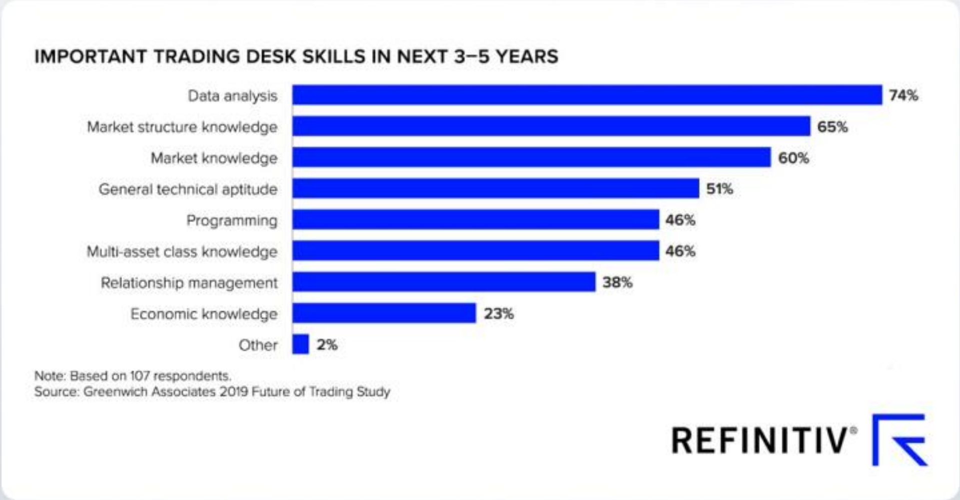
Key Takeaway:

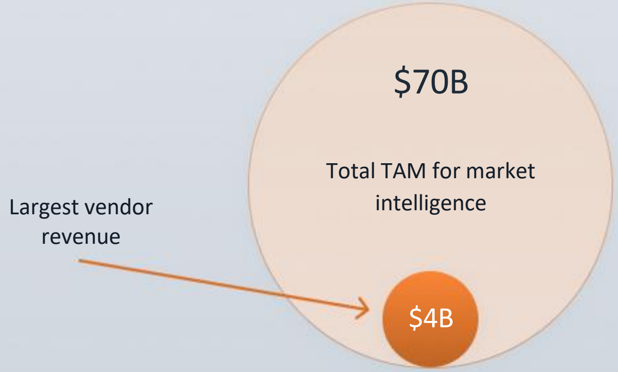
Importance of engagement with clients will result in front office enhancements, but middle office and operations will see cost disruptions.

Source: FNZ

7 The trading desk is overhauled with advanced data

Growing demand for intelligent data in capital markets





- Dilemma: Generic vs. Customisation with the winner offer customisation tools on top of generic market data
- Client workflow automation as move away from desktop-based solutions
- Relationship between data vendors and application providers is tense with price increases on the way

Key Takeaway:

More emphasis will be placed on data analytics not only at trading desks, but at business level for compliance and performance reasons.

Source: Refinitive, S&P Global

8 BNPL has beaten skeptics and is making a comeback

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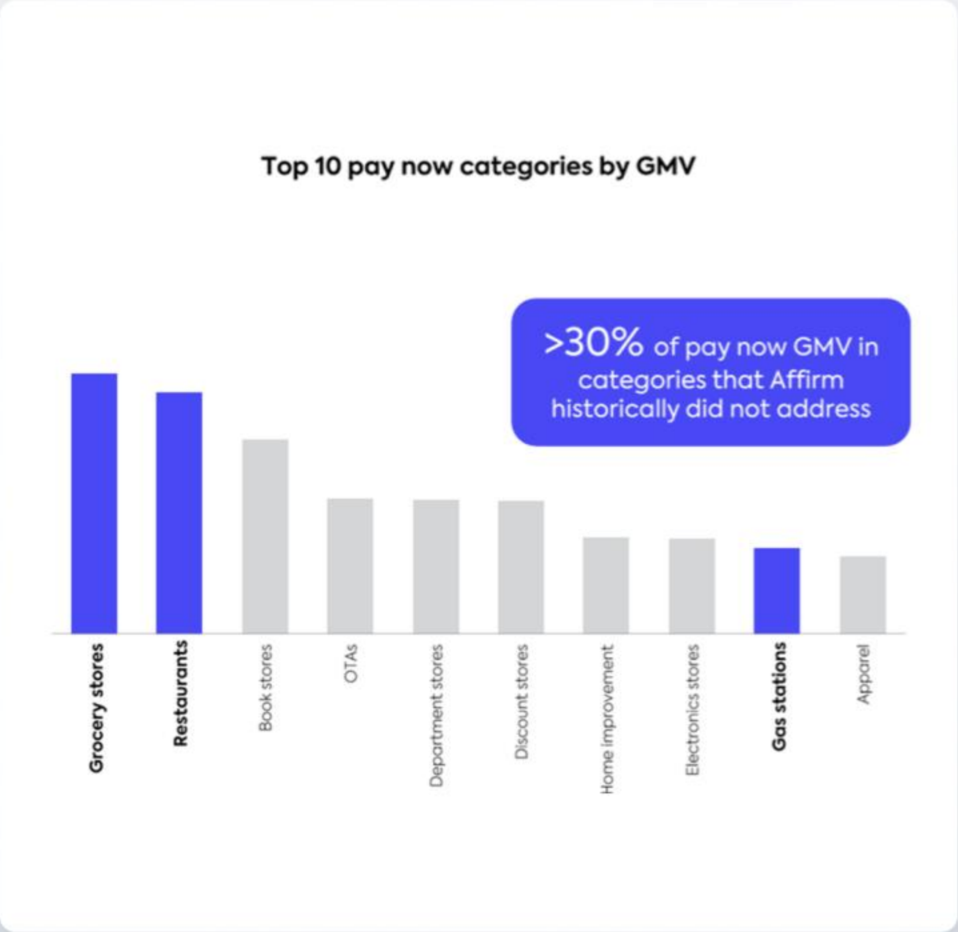
BNPL is NO longer about e-commerce



Regulators are happy that firms are spending more time on risk assessment

Key Takeaway:

Profitability is improving among all BNPL players with AI driven risk assessment a leading indicator for better lending standards

04.

Summary

Summary

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The year of reckoning has arrived in European FinTech. The Return of Funding discipline resulted in a Flight to Quality and Profitability to Survive for the entire ecosystem.

- Funding dropped by 70% to pre 2020 levels driven by the end of mega round and flight to quality;
- A retreat in Payments and Challenger Banks as the traditional resilient sector loses its crown to Crypto and Lending given valuation benchmarks achieved in 2022;
- US, Asian and Strategic investors are retrenching and are in 50-100% less deals than they were last year;
- M&A has remained stable with volumes on track to match 2022 levels, but deal sizes have fallen dramatically with 19% of deals above €500m vs 30% last year;
- Valuations are stabilizing in the public markets which will help private companies to get funding/exits, but at different terms than before, which will take time before all companies reset "last round" to "current" valuations

European local ecosystems have been impacted differently based on their maturity

- US investors were ranking in the top lists in major countries in 2021/H1 2022, but have disappeared this year
- UK, Germany and France saw a 70% drop in funding value BUT exits were getting done consistently
- Ireland and Netherlands are more elastic to single deals (Fourthline & NomuPay respectively) in both regions
- Poland recorded biggest drop, but the crypto infrastructure sector is gaining momentum

The trend of a shift to software and B2B FinTech continues in 2023. More than 50% of all FinTech deals are B2B software versus 17% in 2016.

- Business models: Some balance sheet business are in tough spot with loan losses rising as well as those without own deposit funding. Focus on recurring software businesses with strong margins and NRR vs. product led hyper growth.
- Key areas we foresee strong momentum the next 6 to 12 months are:
    - Revisit of the payment investment landscape, with accelerated consolidation expected to boost profitability and growth
    - RegTech continues to show attractive growth in KYC and AML
    - Consolidation of Open Banking and Banking as a Service continues
    - Generative Artificial Intelligence will get at scale in Insurance and Banking
    - Automation and Digitalization of the CFO and HR function continues to increase control and efficiency

Contact details

Eugénie Colonna d'Istria
Associate
eugenie@finchcapital.com

Aman Ghei
Partner
aman@finchcapital.com

Joe McHale
Analyst
joe@finchcapital.com

Radboud Vlaar
Managing Partner
radboud@finchcapital.com