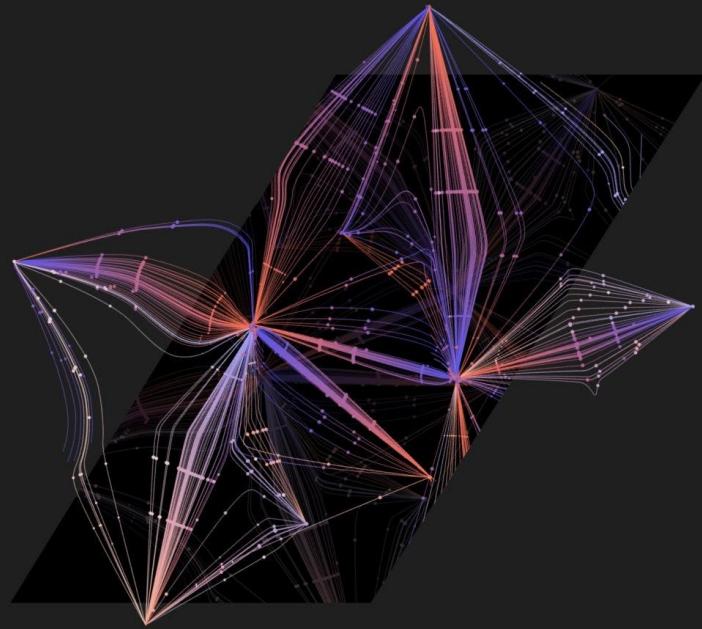


F·PRIME

State of Fintech

2023





State of Fintech Team



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Learn more about F-Prime:
Visit the [Fintech Index](#) for more data

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Discussion: March 9, 2023 Noon ET





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Summary

The correction

- Fintech was on fire in 2021, with 77 public listings — including eight of largest 10 fintech exits in history
- However, in 2022 public investors re-appraised many fintech companies by prioritizing capital efficiency, and shifting their valuation multiples from SaaS to traditional financial services businesses
- Macroeconomic uncertainty abounds and rising interest rates will help some businesses while hurting others
- The F-Prime Fintech Index was down 72% for 2022, with the average company in the Index falling 56% during the year
- In 2022 there were six new additions (AvidXchange, Bakkt, Dave, Expensify, NerdWallet and Nubank) to the Fintech Index and six delistings - three exited due to acquisitions and three fell out based on our index criteria

What's next

- The public market has begun to distinguish tech-enabled versions of existing financial institutions from truly disruptive approaches to financial services
- Some fast-growing neo-banks, lenders, and wealth management firms will rival incumbents over time; however, embedded fintech business models will prove most disruptive
- In aggregate, fintech companies have captured less than 10% of financial services revenue with payments making inroads
- Fintech Index companies grew LTM revenue 48% on average and have collectively added \$19B of revenue (+15%) in just the first three quarters of 2022
- We're releasing vertical-specific benchmarks to better distinguish and evaluate diverse fintech business models
- We highlight several interesting trends that we are tracking in 2023 - if you are building/investing here, let's connect!

F-Prime Fintech Index

F-Prime Fintech Index Overview

The F-Prime Fintech Index comprises the following emerging financial technology companies. Criteria include capitalization, liquidity, growth rates, founding year and listing exchange.

adyen	affirm	Alkami	bill.com	BLACKLINE	blend
					
doma	bright™ HEALTH	Clover	coinbase	COMPASS	d·local
					
Funding Circle	green dot	Hippo	EVERQUOTE	FLEETCOR®	flywire
					
loanDepot®	陆金所 Lufax.com	MARQETA	mercado libre	MoneyLion	ncino.
					
oio	Opendoor	oscar	PagSeguro	Paymentus	Payoneer
					
PayPal	Q2	REDFIN	Remitly	robinhood	shopify
					
SoFi	stone⁺	toast	Upstart	VIRTU FINANCIAL	wise
					
avidxchange™	Bakkt™	Dave	Expensify	nerdwallet	xero
					
Avalara	billtrust	KATAPULT	metromile	Root Insurance Co.	sezzle

Source: Capital IQ, PitchBook, Yahoo Finance, F-Prime team analysis

2022 Additions

2022 Exclusions

55
Companies

\$397B
Market cap

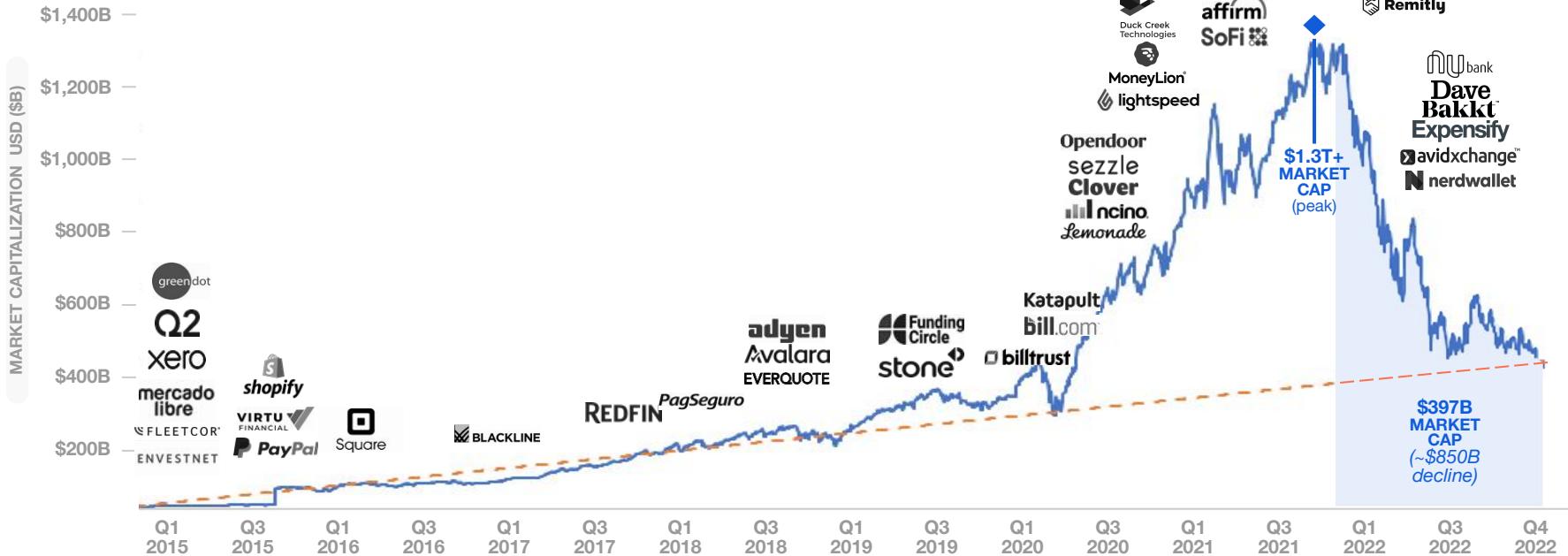
\$76.5B
Raised

3.7x
Revenue multiple

48%
LTM avg. revenue
growth rate

Note: All figures as of 12/31/2022

After hitting a peak of \$1.3T in late 2021, the F-Prime Fintech Index declined to \$397B by December 31st, 2022

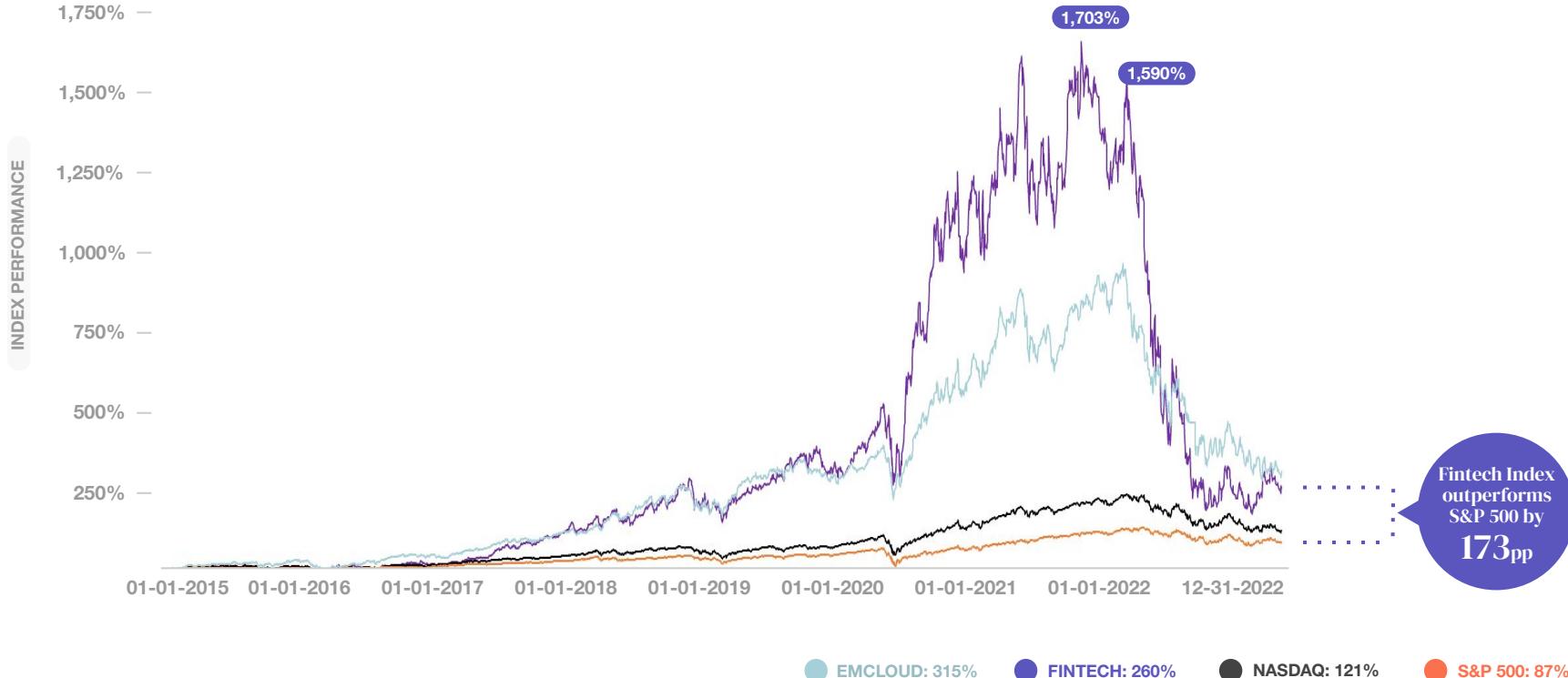


Source: Capital IQ, Yahoo Finance, F-Prime team analysis

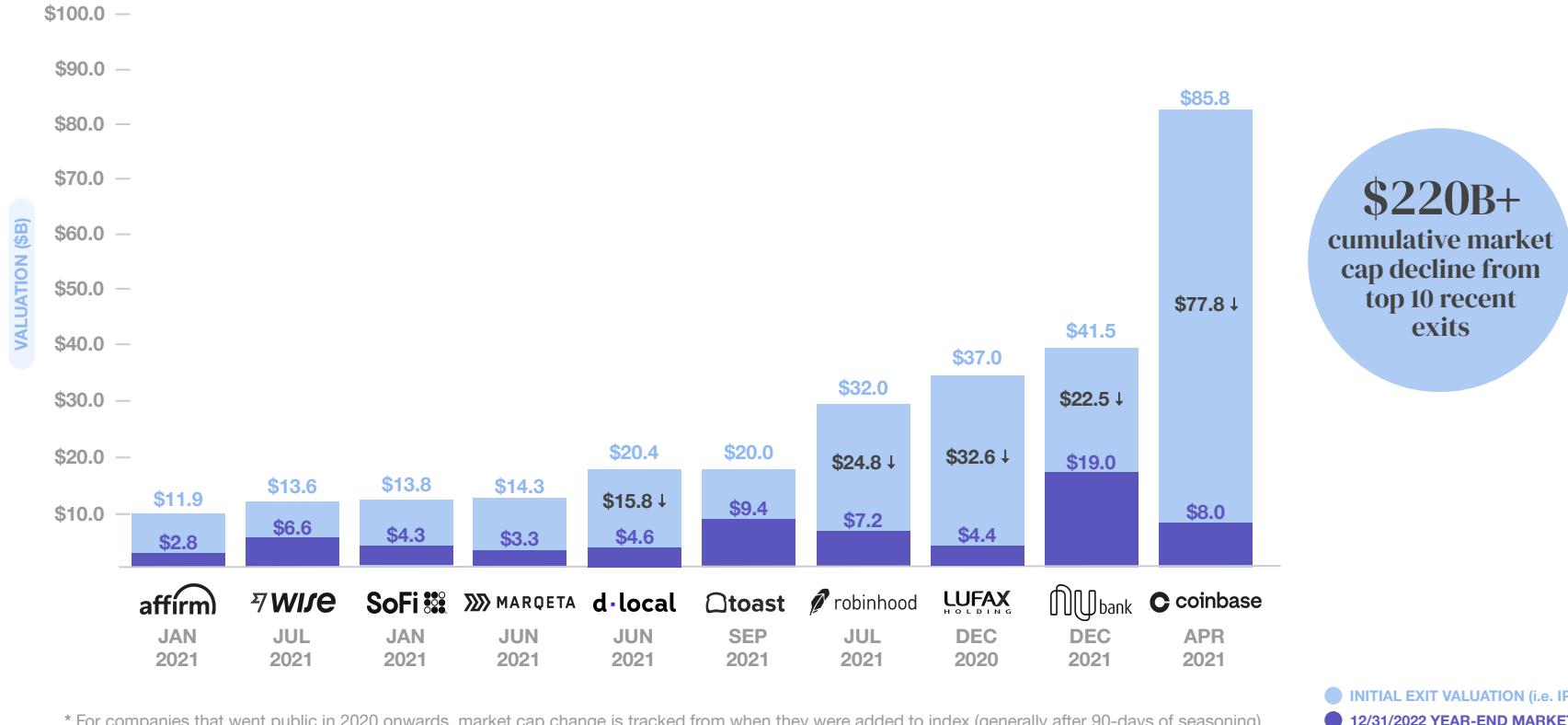
Note: Due to fact that Fintech Index is market cap weighted, the performance decline in the next slide will be higher than the capitalization decline above.

42% CAGR

While the public market correction has been broad, tech and fintech stocks have seen the largest declines — the Fintech Index was down 72% in 2022



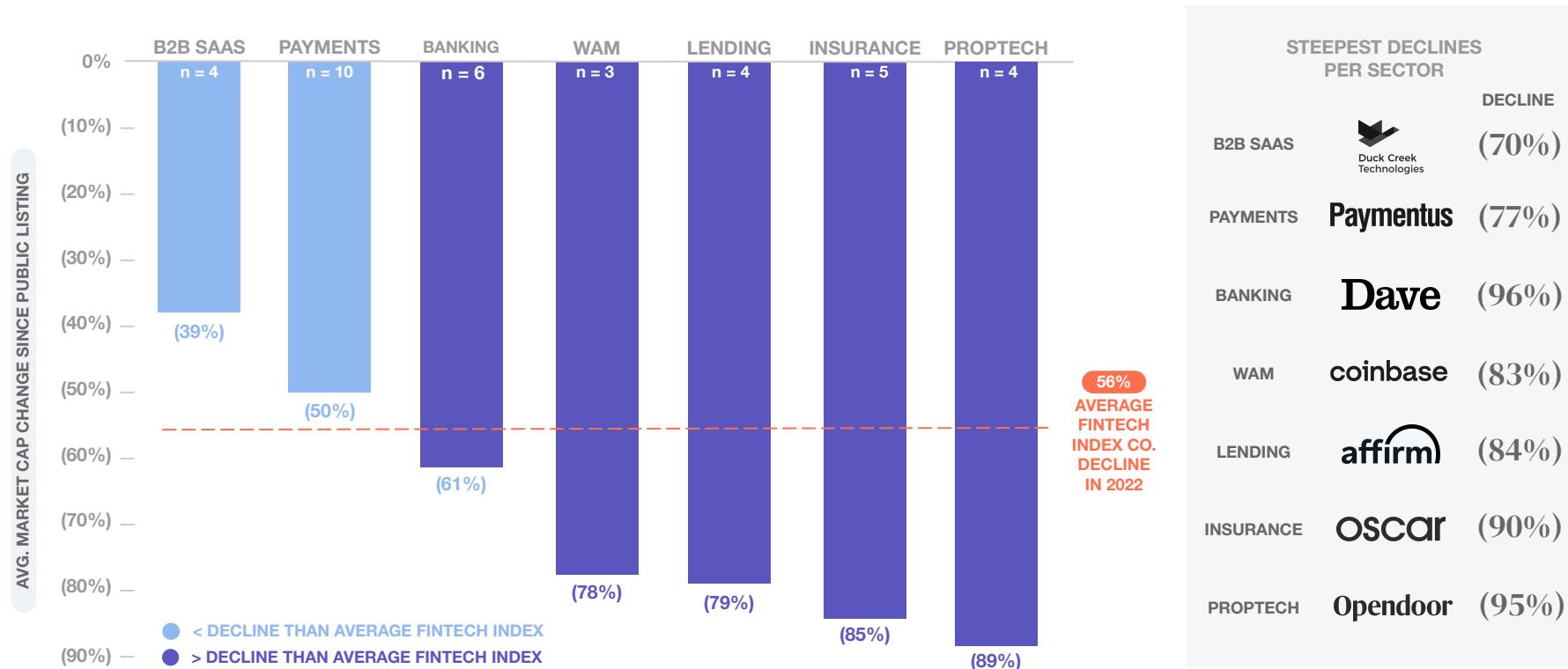
The decline is especially pronounced for the 10 largest exits during the peak years of 2020-2021



* For companies that went public in 2020 onwards, market cap change is tracked from when they were added to index (generally after 90-days of seasoning).



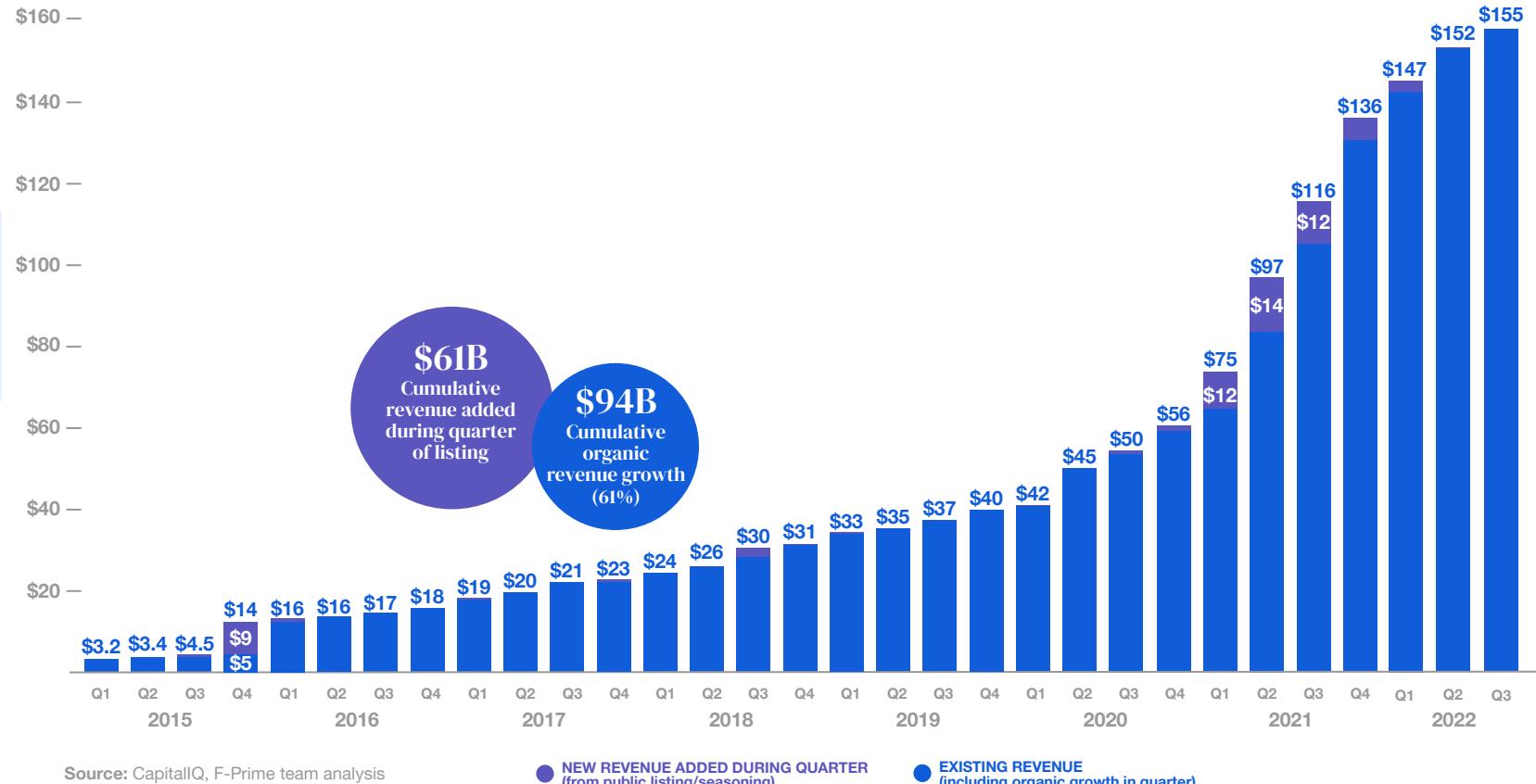
While all verticals have declined, payments and B2B SaaS fell the least



Note: Companies that were acquired in 2022 or did not meet our criteria at year-end were removed for the above analysis. All listing added to index after 90-days of seasoning.

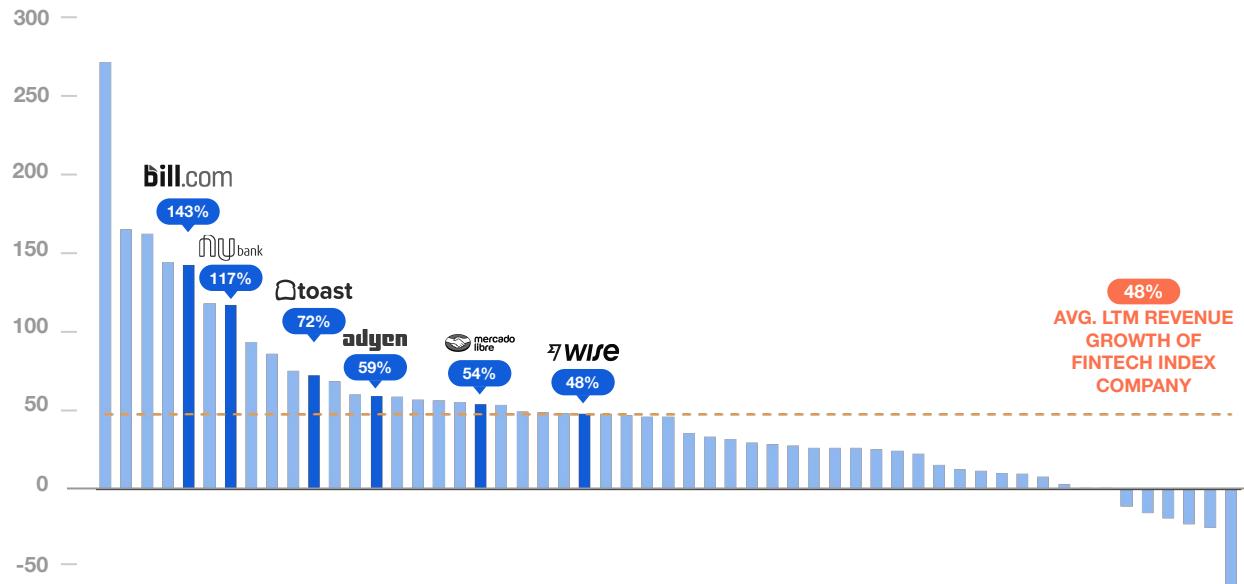


Despite the valuation correction, Fintech Index companies continue to grow: collective LTM revenue is up ~15% (+\$19B) from \$136B in 2021 to \$155B as of Q3 2022





Even scaled fintech companies are still growing at high rates



- FINTECH INDEX COMPANIES WITH >\$5B MARKET CAP AND >48% LTM REVENUE GROWTH

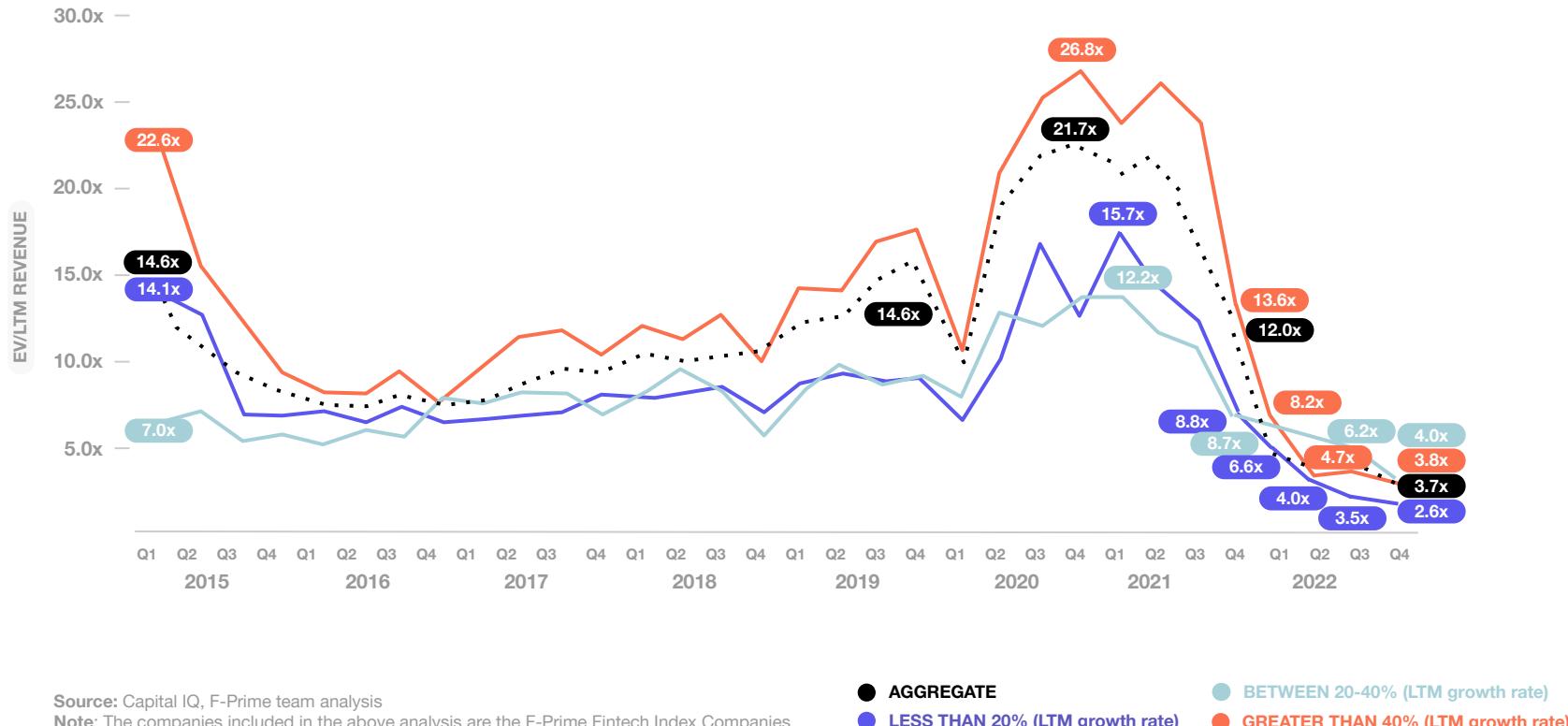
Source: S&P Capital IQ, F-Prime team analysis

Note: The companies included in the above analysis are the F-Prime Fintech Index Companies

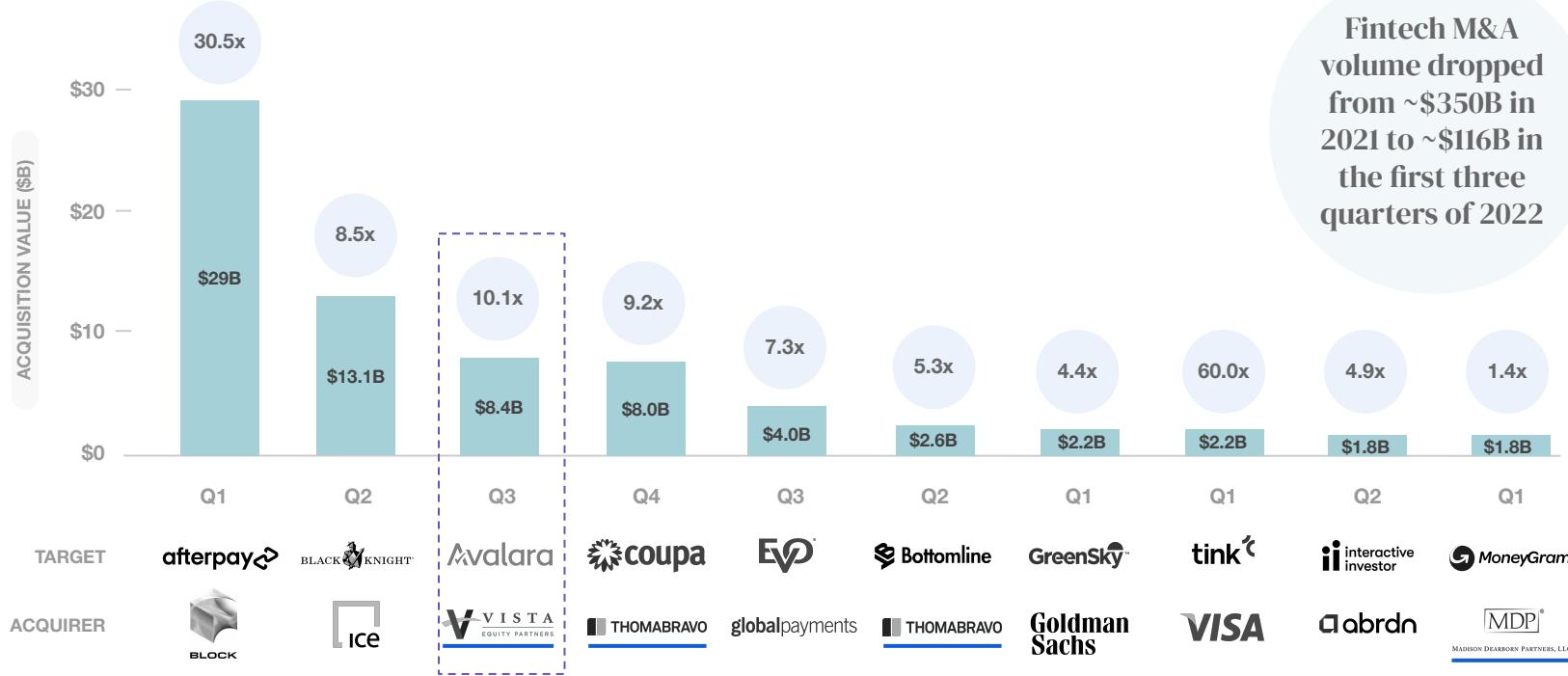
TOP 5 CONTRIBUTORS TO \$19B REVENUE INCREASE TO Q3 2022		
COMPANY	2022 REVENUE ADDED / DECLINE	GROWTH RATE (LTM)
Opendoor	\$8,511	272%
mercado libre	\$2,596	54%
bright TM HEALTH	\$1,977	75%
PayPal	\$1,682	10%
Clover	\$1,680	163%



Fintech companies enjoyed historically high valuations in 2021, but have fallen below historic mean valuation multiples



Though significant acquisitions occurred, overall M&A volume dropped as buyers and sellers adjusted to new valuation expectations

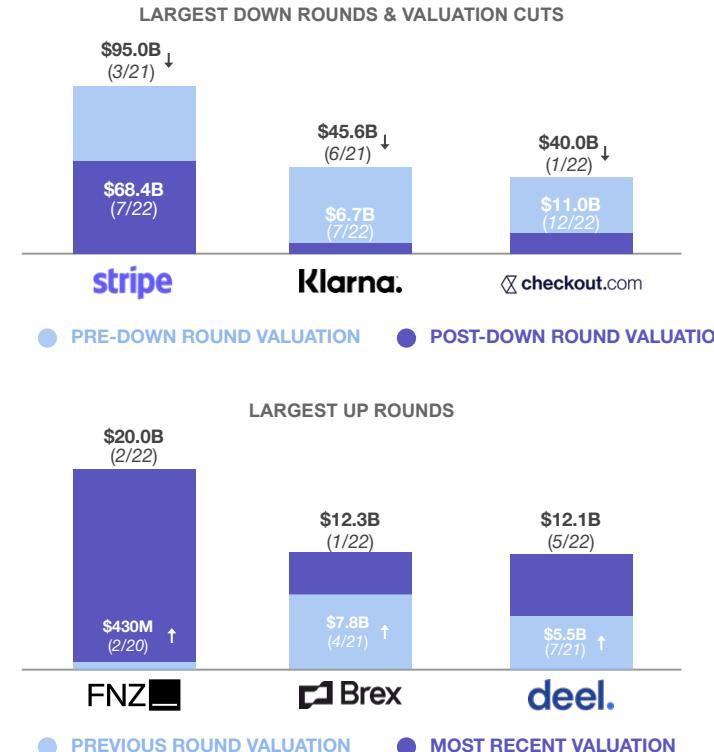
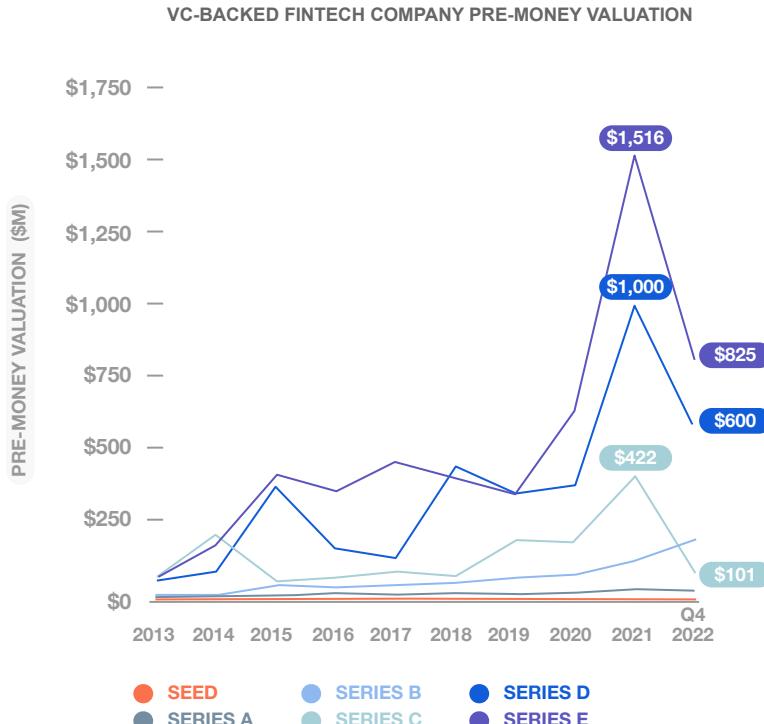


Source: PitchBook, FT Partners, F-Prime team analysis
Note: all revenue multiples approximate

BUYOUT/LBO



Public market corrections are directly impacting the private markets, starting with later-stage financings; some fintech breakouts have raised stunning down rounds



Source: PitchBook and F-Prime team analysis

Note: Largest up rounds excludes companies that raised in 2022 and are no longer operational, as well as companies that subsequently raised at lower valuations.

Despite the correction, there is still reason for excitement — fintech companies have captured less than 10% of US industry revenue with tremendous room for growth

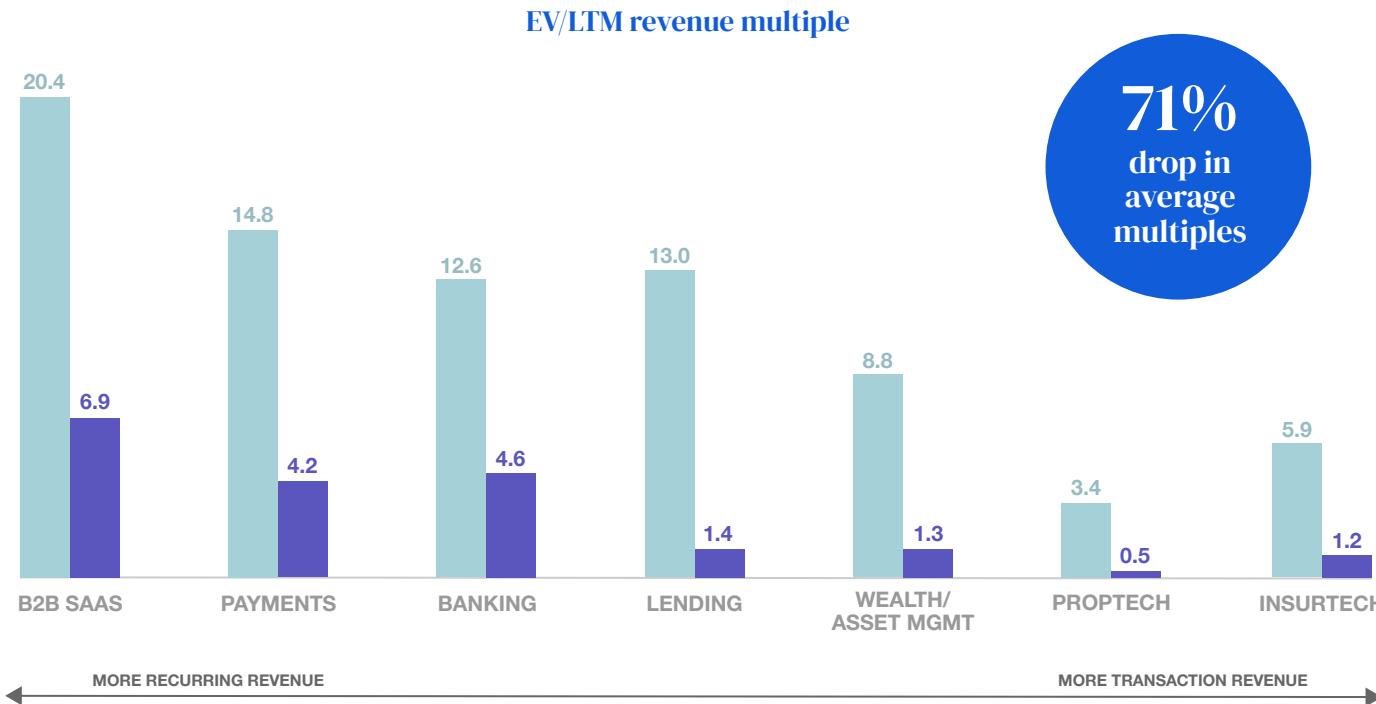


Source: IBIS World Industry Report, Company 10Ks, News outlets, F-Prime team analysis

Fintech Industry Dynamics



Public investors have re-appraised fintech companies across the board



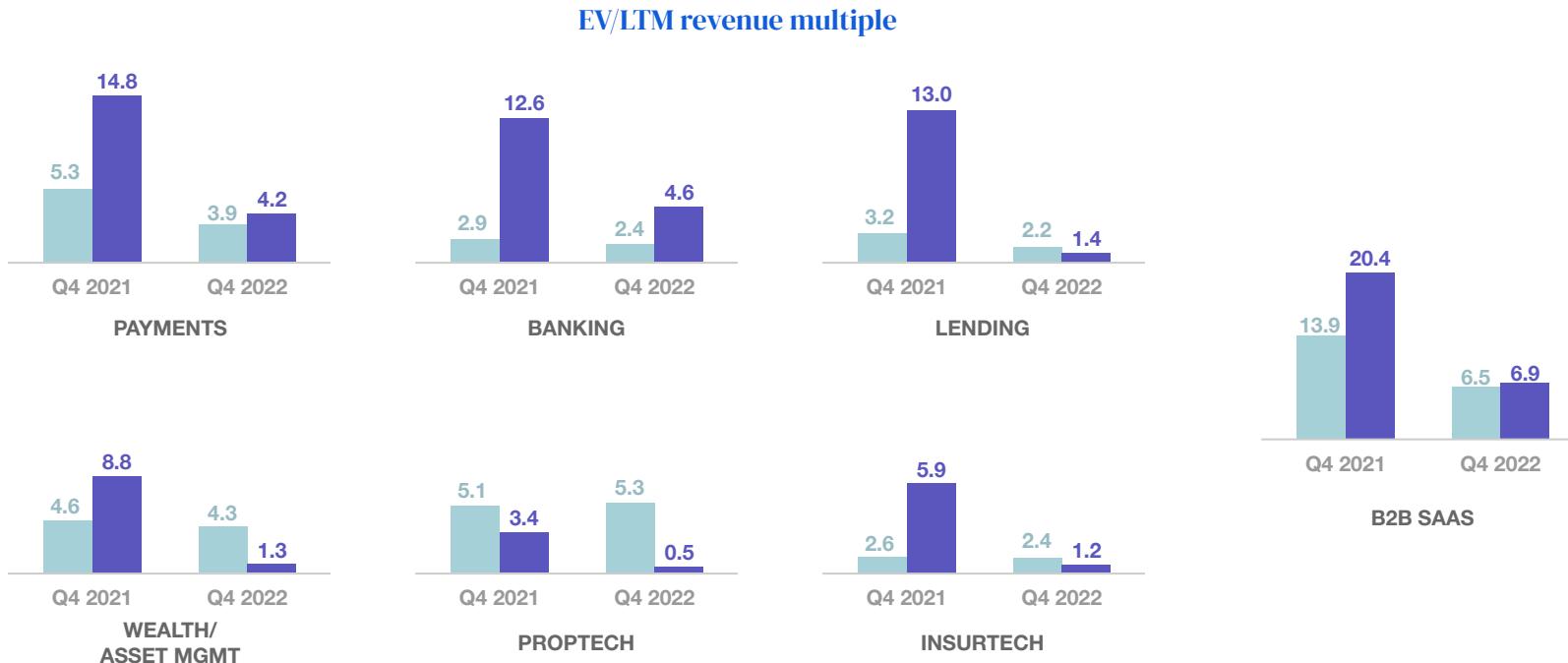
Source: S&P Capital IQ, F-Prime team analysis

Note: For consistency, we used the same companies in the index in Q4 2021 (excluding new additions to F-Prime Fintech Index in 2022)

Q4 2021
Q4 2022



Fintech companies are now valued more like incumbents and, in some cases, at a discount given their capital inefficiency



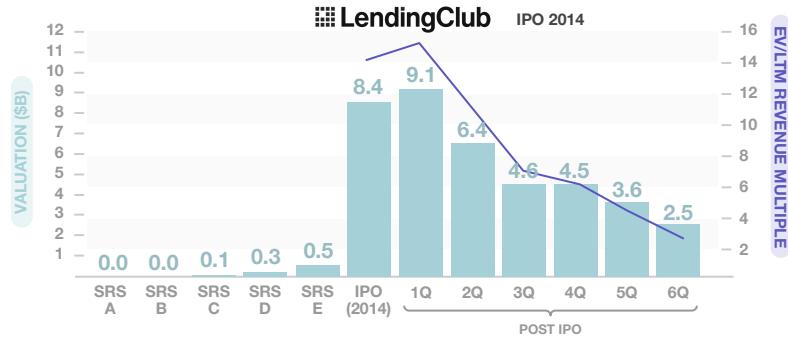
Source: S&P Capital IQ, F-Prime team analysis

Note: For consistency, we used the same companies in the index in Q4 2021 (excluding new additions to F-Prime Fintech Index in 2022). Composition of incumbent list based on public financial services companies with highest market cap per vertical. For banking, lending, and wealth/asset management, incumbent market cap/LTM revenue multiple is used.

● INCUMBENTS
● DISRUPTORS

We saw a similar re-appraisal occur with earlier fintech IPOs.
It was permanent for some, and temporary for others.

Some private valuations quickly correct when revalued as financial services companies...

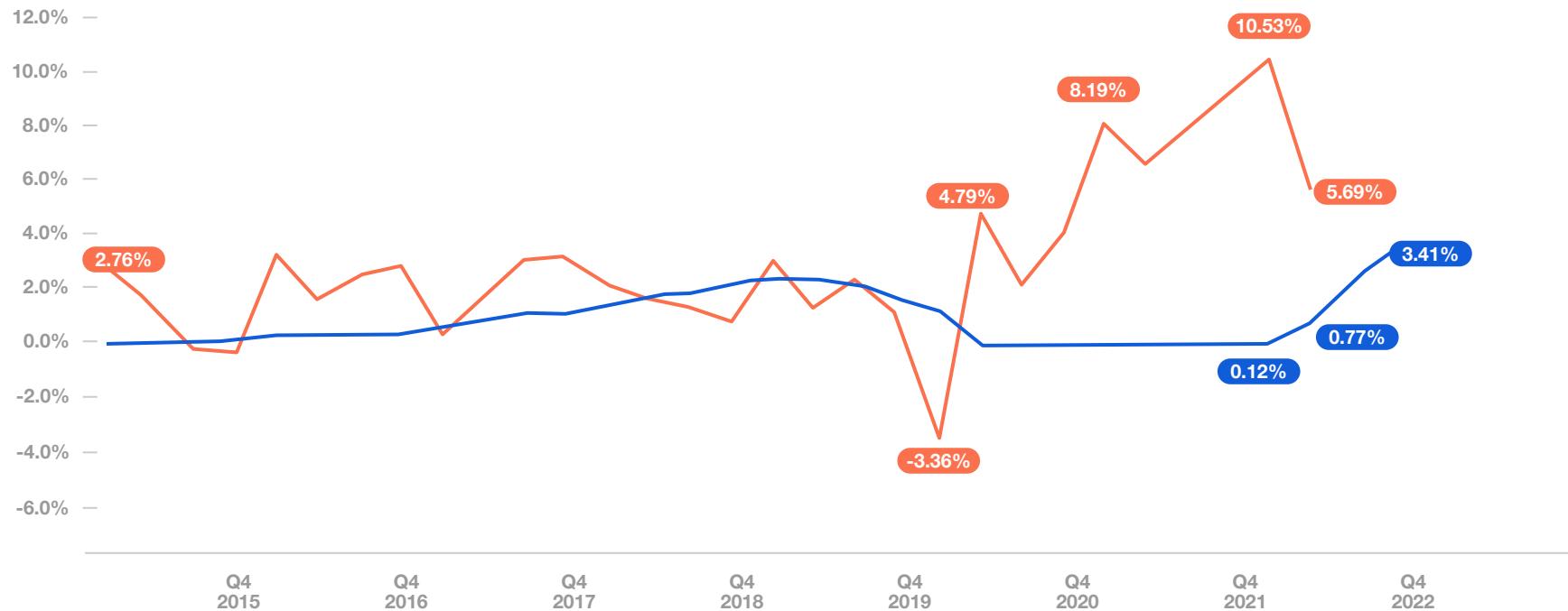


...others prove genuine market disruption and grow into their private market valuations



Source: PitchBook, S&P Capital IQ, F-Prime team analysis

Beyond the valuation re-rating, the shifting macro environment is placing a premium on capital efficiency. Rising interest rates will help some and hurt others



Source: Federal Reserve Economic Data (FRED). Inflation based on Consumer Price Index: Total All Items for the United States ([CPALTT01USQ661S](#)). Nominal interest rate based on Federal Funds Effective Rate ([DFF](#)).

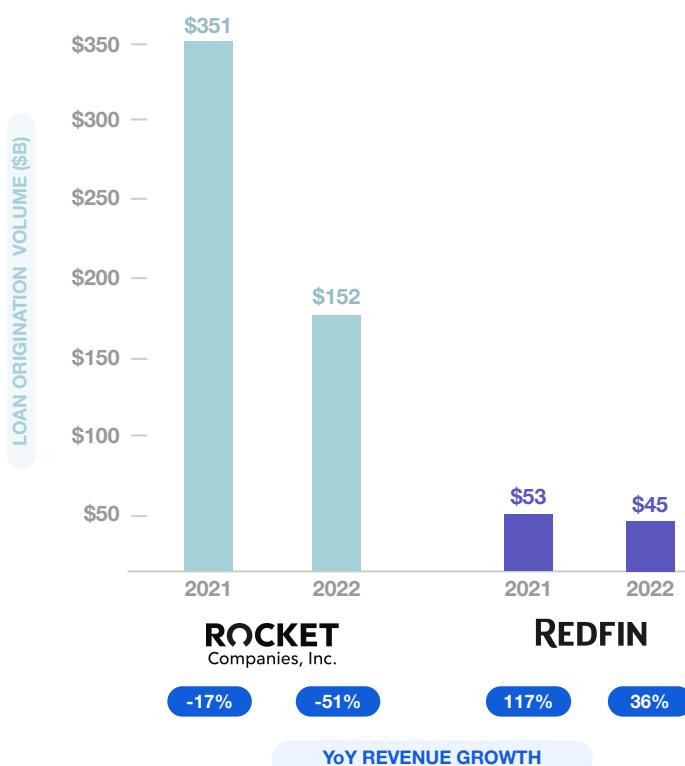
● INFLATION RATE
● NOMINAL INTEREST RATE (Fed rate)

Like the incumbents, banking and wealth management startups that hold customer cash balances or float are benefiting from recent interest rate hikes



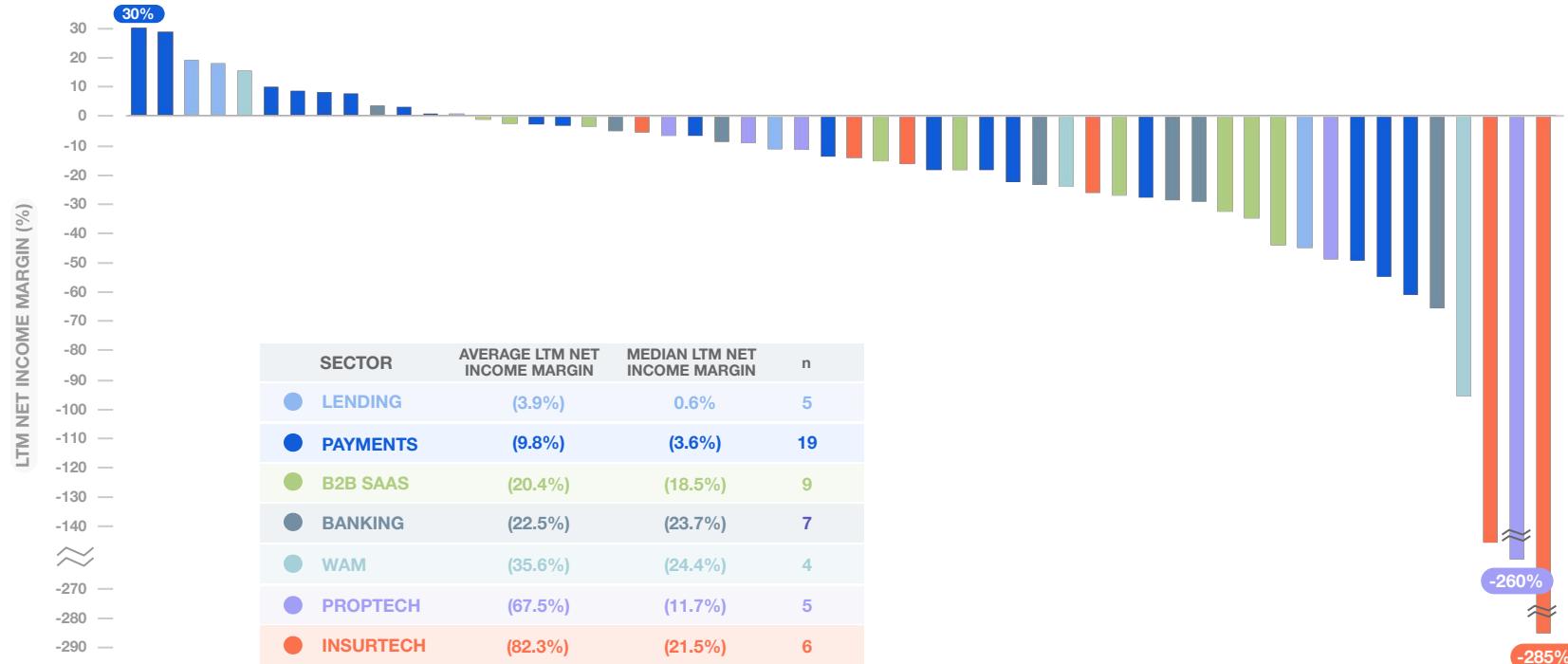


On the other hand, proptech and lending companies are exposed to rate rises and saw revenue growth decline due to lower origination volume





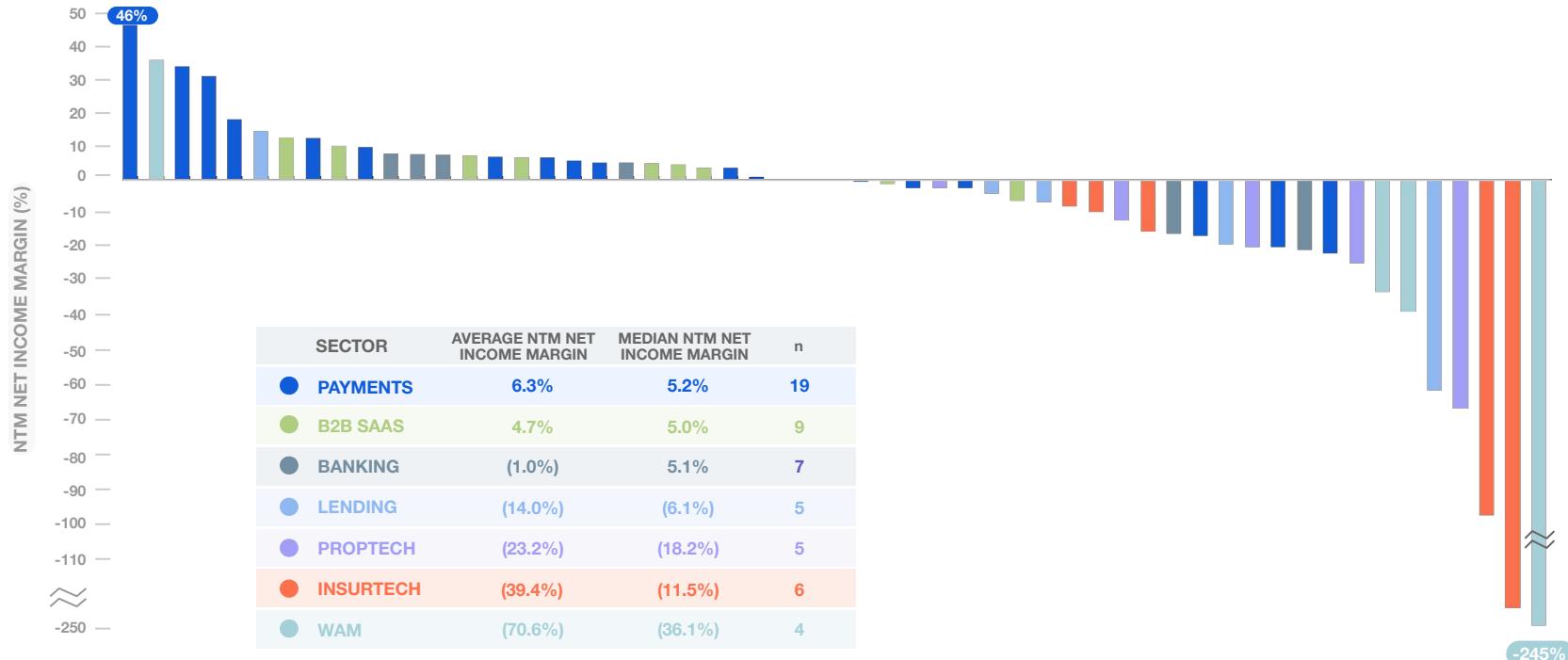
Less than 25% of Fintech Index companies were profitable over the last 12 months — mostly payments businesses



Source: S&P Capital IQ, F-Prime team analysis



Almost half of the Fintech Index companies expect to be profitable over the next 12 months



Source: S&P Capital IQ Estimates: aggregate analyst estimates for public companies, F-Prime team analysis

The market has begun to distinguish better versions of existing financial institutions from truly disruptive approaches to financial services

VERTICAL	BETTER VERSIONS OF FINANCIAL SERVICES	DISRUPTIVE POTENTIAL WE ARE TRACKING
PAYMENTS	Developer-friendly, API-first payment businesses will continue to grow rapidly and capture meaningful market share	Vertical SaaS + embedded payments is differentiated from pure payment processing and can be the vertical's operating system
BANKING	Superior consumer experience proved neobanks can be better and faster-growing versions of banks, but not exempt from bank-like returns	BaaS offers true disruption to fintech stack and will fuel rapid growth in ecosystem, but must navigate regulatory scrutiny
WEALTH/ASSET MGMT	Startups face smart and concentrated incumbents, but generational tailwinds will power some to rival legacy players	Digitization of private assets infrastructure and rise of emerging alternative asset classes like crypto, art, wine, etc.
INSURANCE	Better UIs and service but few disruptive products; fast growth means adverse selection, yet startups need data to improve underwriting	Usage-based insurance can lead to novel products that go beyond improved user interface
LENDING	Novel data sets and underwriting models expand TAM, but like incumbents, startups cannot avoid credit risk and credit cycles	Embedded lending where software players become lenders as by-product of software platform
PROPTECH	Digitization of transaction lifecycle creates radically better experiences, benefitting startups and incumbents	Evolving residential ownership models including shared and fractionalized ownership

Fintech trends we are tracking in 2023

Payments orchestration

Merchants need to support a wider variety of payment options while collecting data sources into a single decisioning and fraud detection/prevention engine



butter.

Vertical fintech

More vertical software companies will emerge and seamlessly offer embedded fintech solutions like payments, credit, payroll, and more



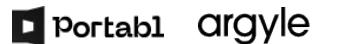
Private asset infrastructure

Infrastructure and distribution tools to facilitate greater access and data insights in the alts assets space



Novel consumer data APIs

Increasing accessibility of consumers' financial data across platforms will give rise to more personalized financial products



Instant payments rails

Significant growth in real-time payments globally. Many opportunities exist for fintechs to build real-time fraud detection, chargeback facilitation and on/off ramps



Crypto compliance

Following a year of fraud, hacks, and volatility, regulators will step in to ensure security is top of mind for all crypto participants

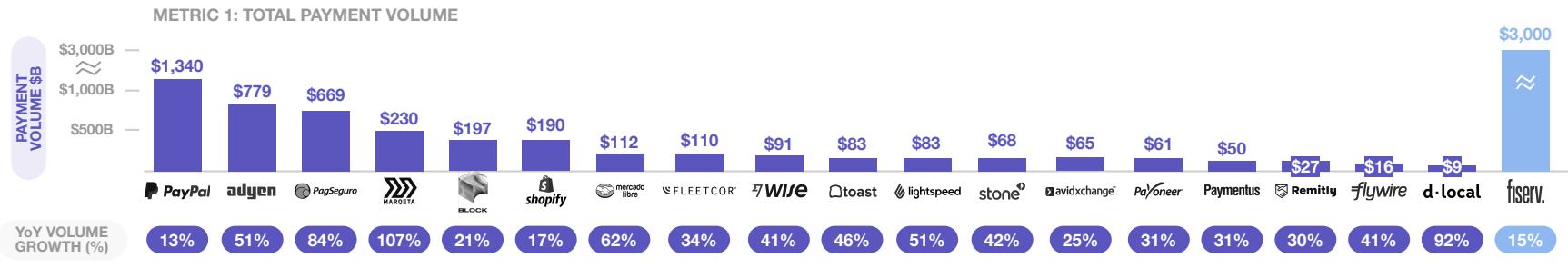


Key Fintech Benchmarks: *by vertical*

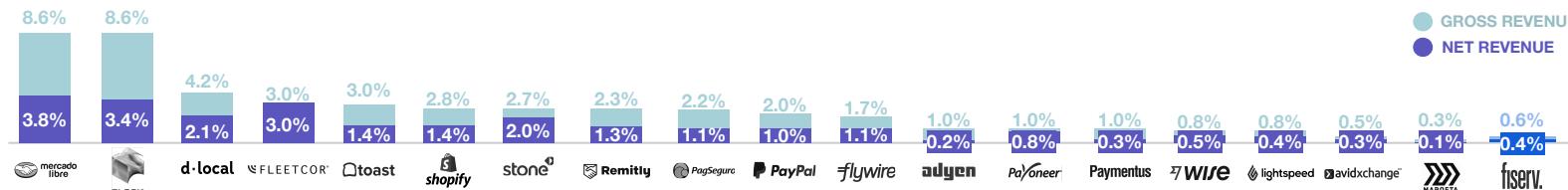
*Broader set of benchmarks to be added to
Fintech Index website*

Key payments benchmarks

DISRUPTORS
INCUBANT

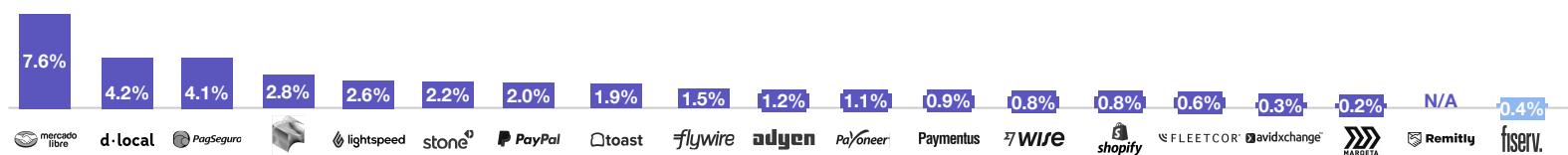


METRIC 2: REVENUE AS % OF TPV



Note: Net revenue excludes payment expenses. Block net revenue excludes Bitcoin operations.

METRIC 3: TAKE RATE (gross)



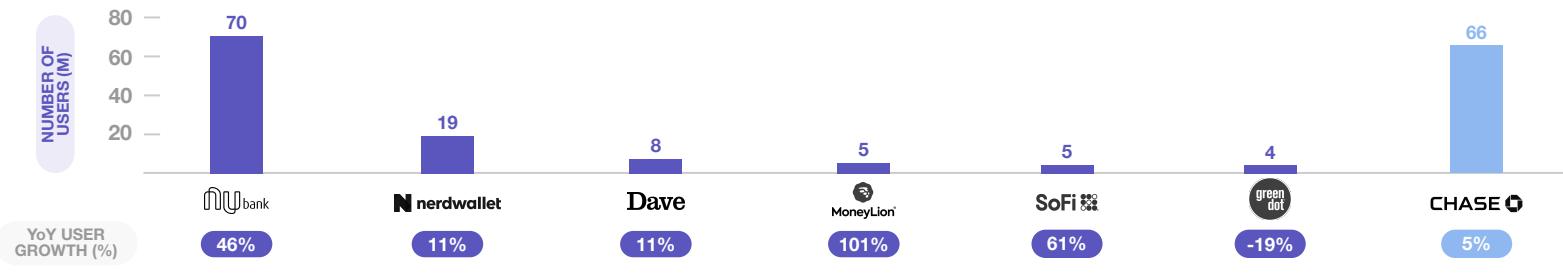
Source: S&P Capital IQ, Company annual report, management discussion and analyses investor presentation, F-Prime team analysis



Key banking benchmarks

DISRUPTORS
INCUBENT

METRIC 1: NUMBER OF USERS

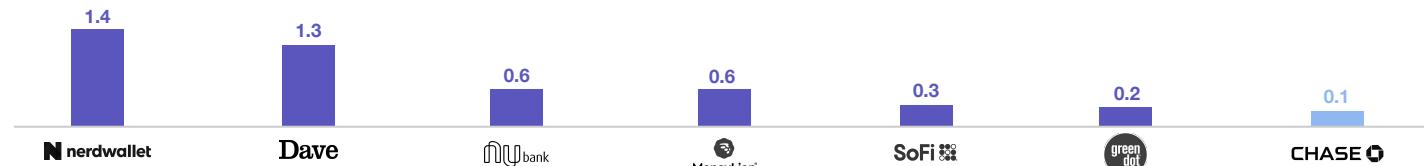


METRIC 2: UNIT ECONOMICS



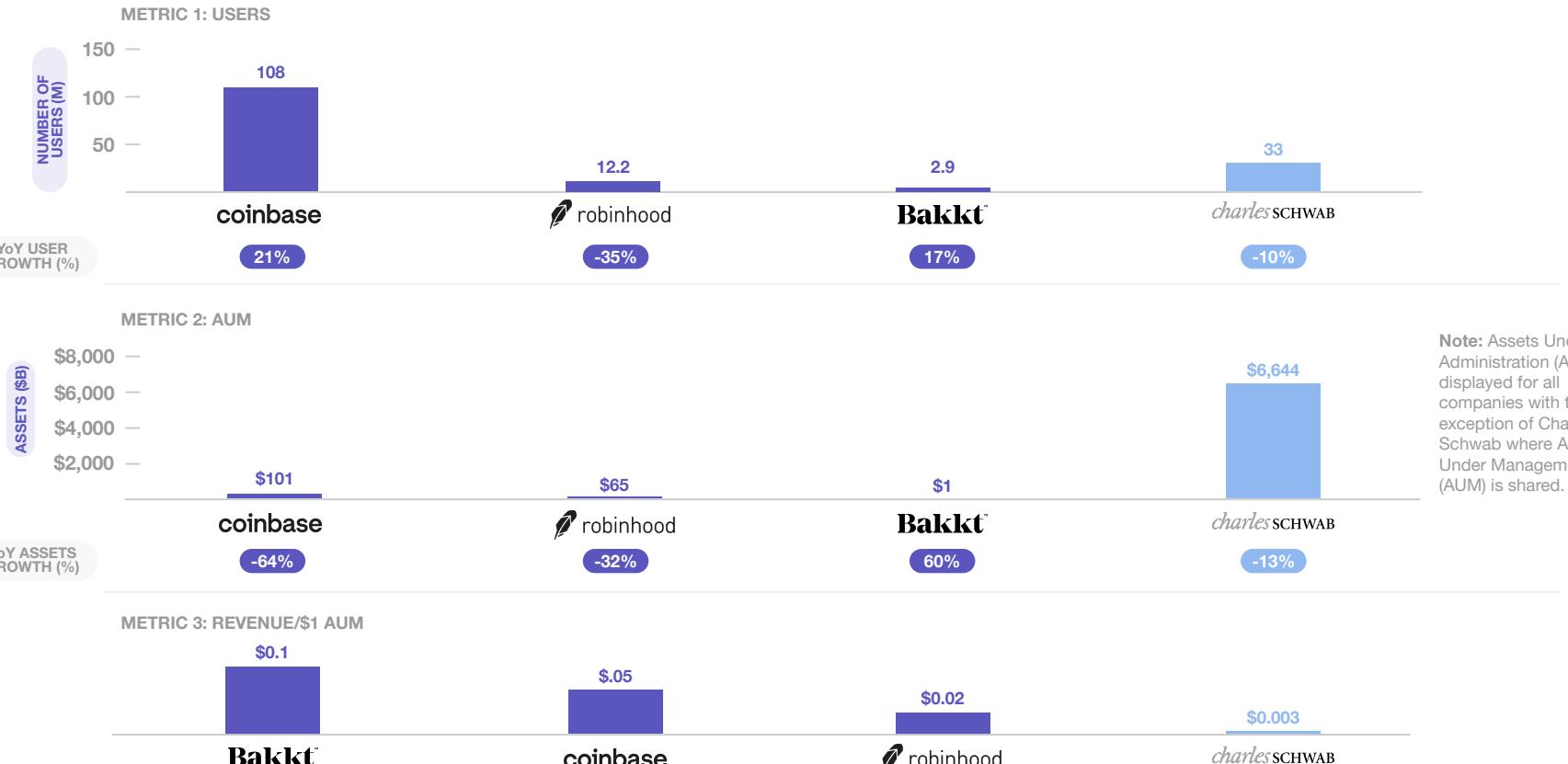
Note: Greendot's user base has been decreasing over the LTM

METRIC 3: VALUATION TO TOTAL ASSETS



Note: SOFi and NuBank's valuations are based on their market cap.

Key wealth & asset management benchmarks

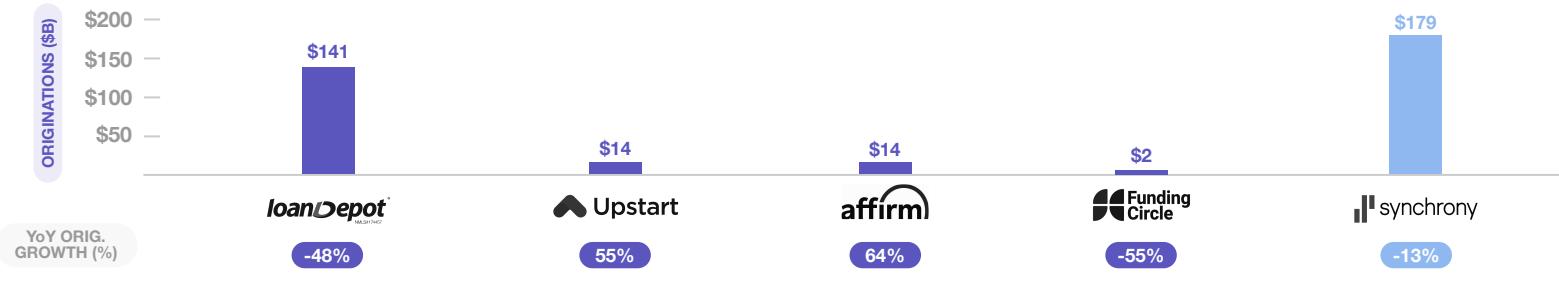




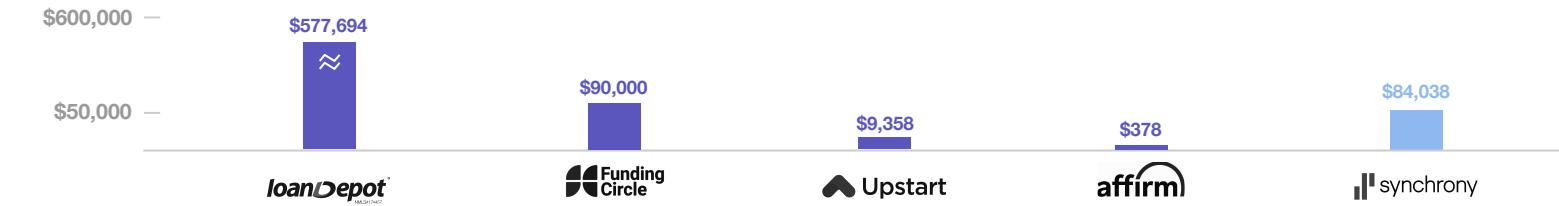
Key lending benchmarks

DISRUPTORS
INCUBENT

METRIC 1: LOAN ORIGINATIONS



METRIC 2: AVERAGE LOAN SIZE



Note: Funding Circle's average loan size is estimated based on originations divided by number of businesses due to data limitations

METRIC 3: NON-PERFORMING LOAN RATIO

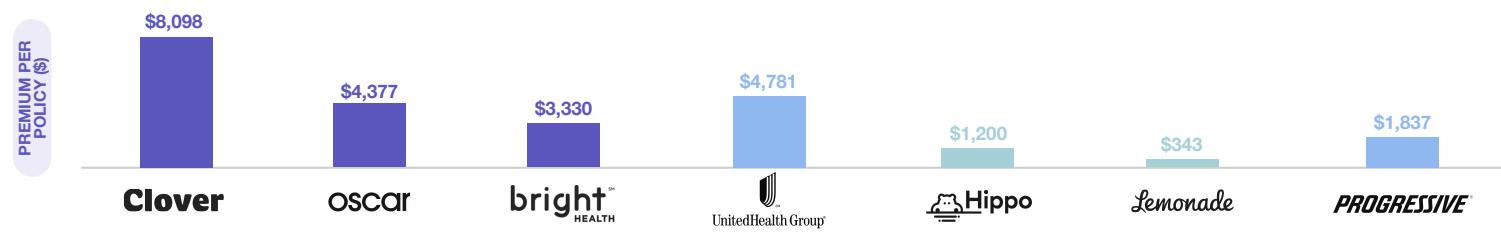


Key insurtech benchmarks

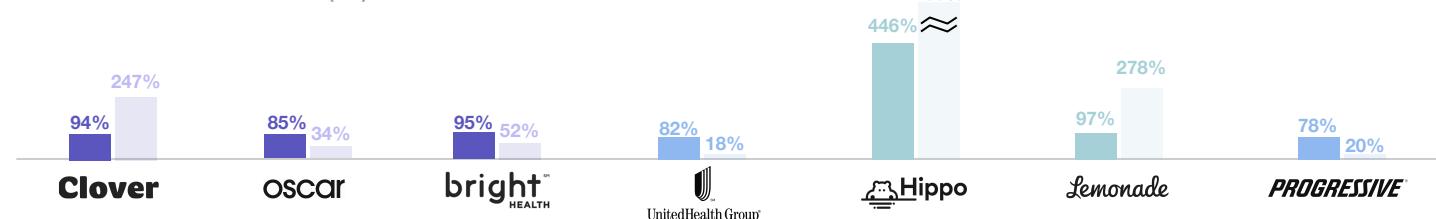
METRIC 1: GROSS WRITTEN PREMIUM



METRIC 2: PREMIUM PER POLICY



METRIC 3: PROFITABILITY RATIOS (net)

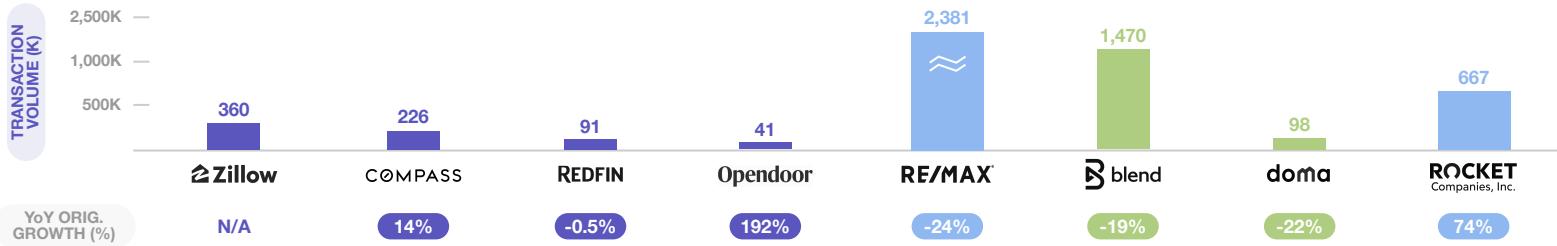


Note: Loss ratio is calculated by dividing total loss by net premium earned. Expense ratio is calculated by dividing operating expenses by net premium earned. Ratios are recalibrated for consistency purposes and may differ from company disclosures.

LOSS RATIO
EXPENSE RATIO

Key proptech / real-estate benchmarks

METRIC 1: VOLUME



- BROKERAGE DISRUPTORS
- INCUMBENTS
- MORTGAGE DISRUPTORS

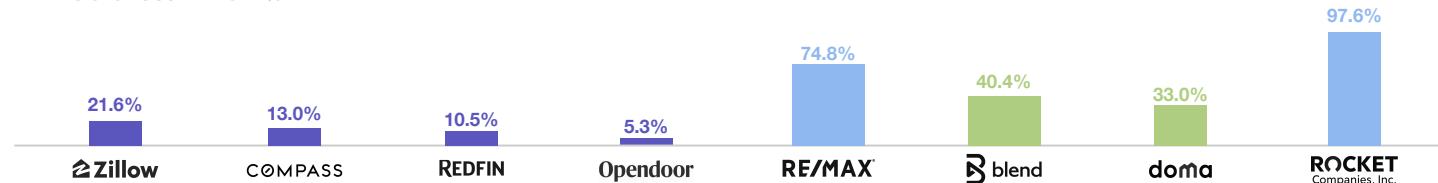
Note: Zillow began disclosing transactions volume in 2022, hence there is no prior year data to determine YoY volume growth.

METRIC 2: AVG. REVENUE PER TRANSACTION



Note: Opendoor's revenue contains the value of the home sold.

METRIC 3: GROSS MARGIN %



Note: Doma' net revenue, excluding premiums retained by 3rd party, is ~\$300M. Opendoor revenue includes value of property in transaction.



About F-Prime

We create and invest in healthcare and technology companies that impact lives all over the world.

We have over 200 companies in our portfolio including 23 that we started. Our global portfolio is spread across the Americas, Europe, and Asia.



Note: Above listing is a sample of fintech portfolio companies in the F-Prime and Eight Roads funds.



The F-Prime Technology Team



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Operating Partner

F·PRIME

Fintech Index



State of Fintech *2022 Year in Review*

Online presentation

Thursday, March 9 at 12 p.m. EST

bit.ly/stateoffintech