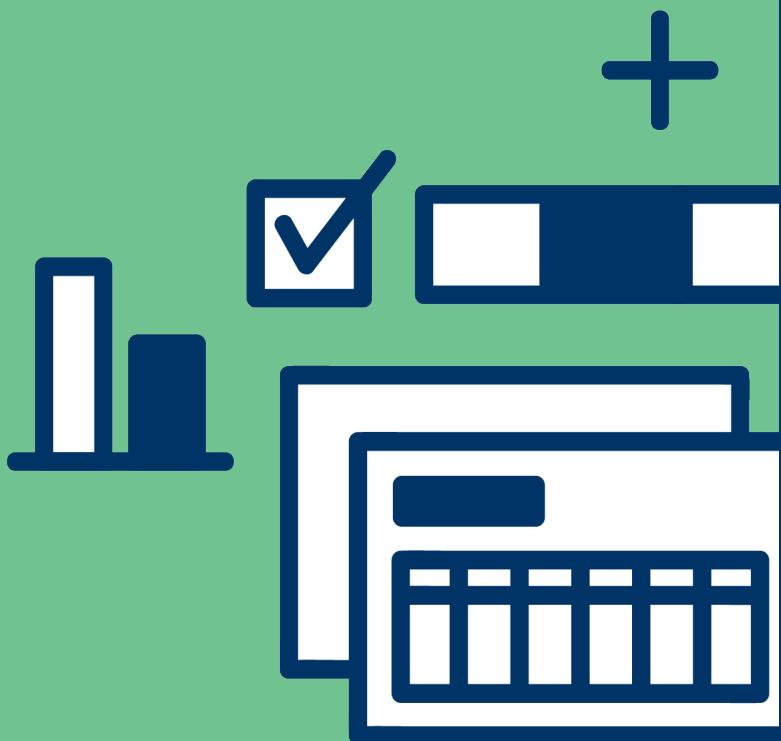




State Of Fintech Report: Investment & Sector Trends To Watch



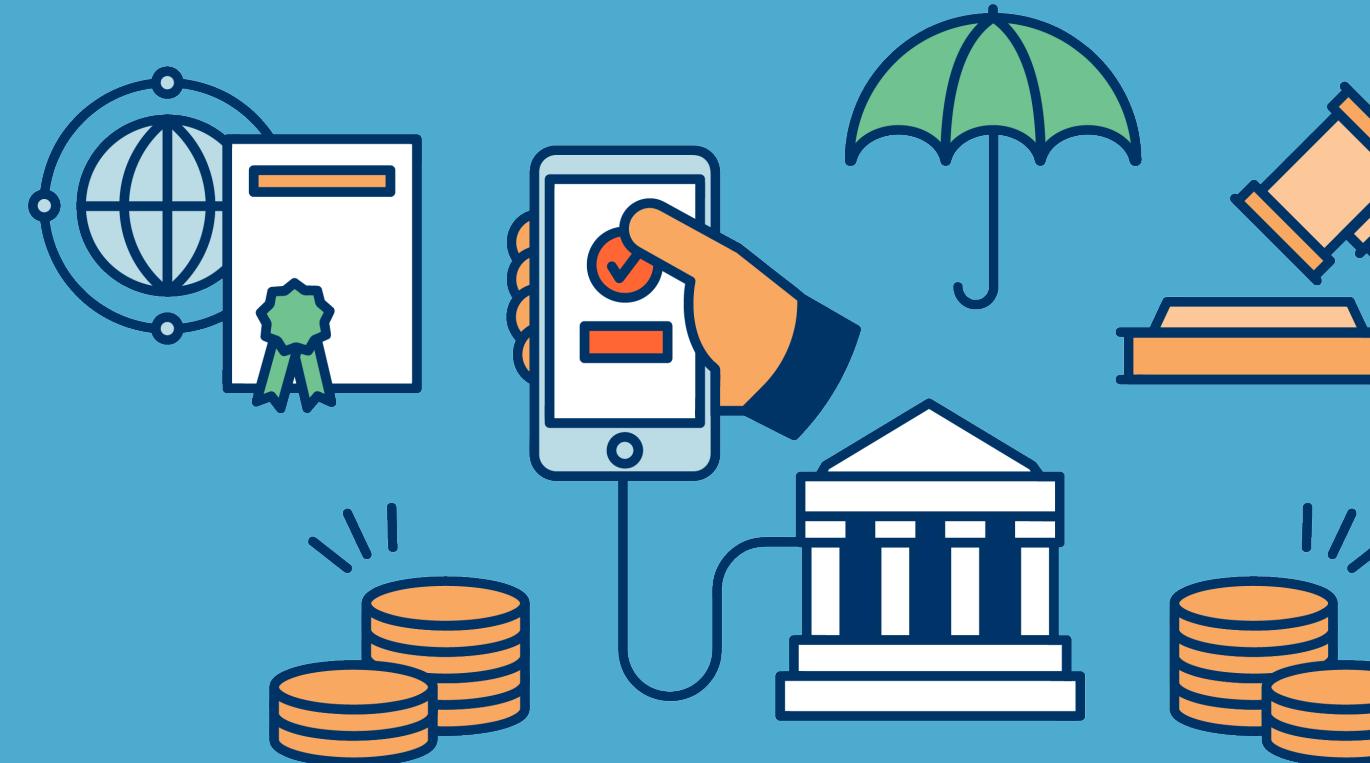
WHAT IS CB INSIGHTS?

CB Insights helps the world's leading companies make smarter technology decisions with data, not opinion.

Our Technology Insights Platform provides companies with comprehensive data, expert insights and work management tools to drive growth and improve operations with technology.

[CLICK HERE TO SIGN UP FOR A FREE TRIAL](#)

Fintech In Review



Summary of findings

2020 funding and deal activity declined slightly. Funding and deal activity fell 2% and 13% year-over-year (YoY), respectively. Deals in every fintech vertical we track fell except for SMB, which grew 13% YoY. Startups addressing payroll operations – such as Remote, PagarBook, and Gig Wage – saw significant traction this year.

Q4'20 saw 522 deals, reversing a 4-quarter decline. Deal activity increased 11% quarter-over-quarter (QoQ) in Q4'20, the first quarter of deal growth since Q3'19. Series A, B, and C rounds accounted for 90% of the increase in deals. Higher early- and mid-stage deal activity helps explain why mega-rounds' (\$100M+ deals) share of total funding fell from 59% to 44% in the quarter.

Fintech is gaining momentum in South America. From 2016 through 2020, funding to South America-based fintech companies grew at a 64% CAGR. Around 40% of deals during this period went to alternative lending and payments companies. Access to credit and the ability for consumers and businesses to send and receive money are significant pain points in the region; startups such as Creditas and dLocal raised funding in 2020 to help solve them.

Europe surpassed Asia in quarterly deal activity for the first time since Q2'19. Deal activity in Europe grew 6%; however, Asia's deal activity dropped 2%, falling below Europe's deal total in Q4'20. This was the fifth consecutive quarterly decline in deal activity for Asia-based fintech companies. However, funding in the region grew 10% while funding to Europe-based companies fell 17%.

M&A activity grew 25% YoY in 2020. 2020 was a busy year for fintech M&A, with companies spanning our coverage areas becoming acquisition targets. For example, Visa and Stripe both made acquisitions in emerging markets, acquiring YellowPepper and Paystack, respectively. We also saw incumbent financial market data providers Bloomberg and FactSet buy businesses to supplement their offerings (Second Measure and Truvalue Labs, respectively).

Sector investment trends in 2020

Payments: Payments companies raised over \$12B in 2020, a YoY increase of 3%. Deal activity in the same period declined 7% to 337. Notably, there were 37 mega-rounds in 2020, up from 30 in 2019.

Banking: While funding to digital banking companies increased 12% YoY, deals were flat. Q4'20 was also the fourth consecutive quarter of funding growth, up 5% vs. Q3'20.

Alternative lending: Alt lending investment activity was down significantly in 2020, with both funding and deal activity declining 35%. Mega-rounds also declined from 25 in 2019 to 15 in 2020.

Wealth management: Deals to wealth management companies fell 11% during the year. However, funding increased 86% thanks to 10 mega-rounds, which accounted for 50% of total funding in 2020.

Insurance: Insurtech deal activity was flat for the year, but funding fell 6%. However, 2020 saw multiple public market exits, including Lemonade, Root Insurance, and Metromile.

Capital markets: Funding grew 21% YoY, but deal activity declined by 13% as larger rounds took share. Mega-rounds alone accounted for 60% of total funding in 2020. Additionally, the number of mega-rounds more than doubled from 13 in 2019 to 27 in 2020.

SMB: SMB funding and deal activity increased 18% and 13% YoY, respectively. Q2'20 was by far the biggest contributor to funding and deal growth, representing 41% and 29%, respectively.

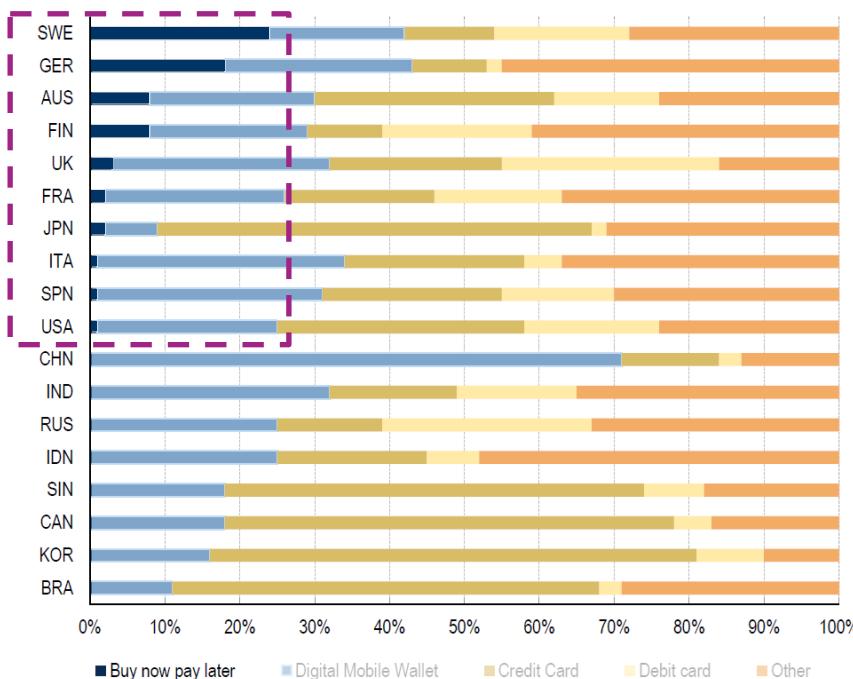
Real estate: Funding to real estate companies plummeted 43% YoY, while deal activity declined by 23%. Quarterly deal activity has not grown since Q3'19.

'Buy now, pay later' accelerates in popularity

Amid the pandemic-fueled e-commerce boom, BNPL startups raised record-high funding

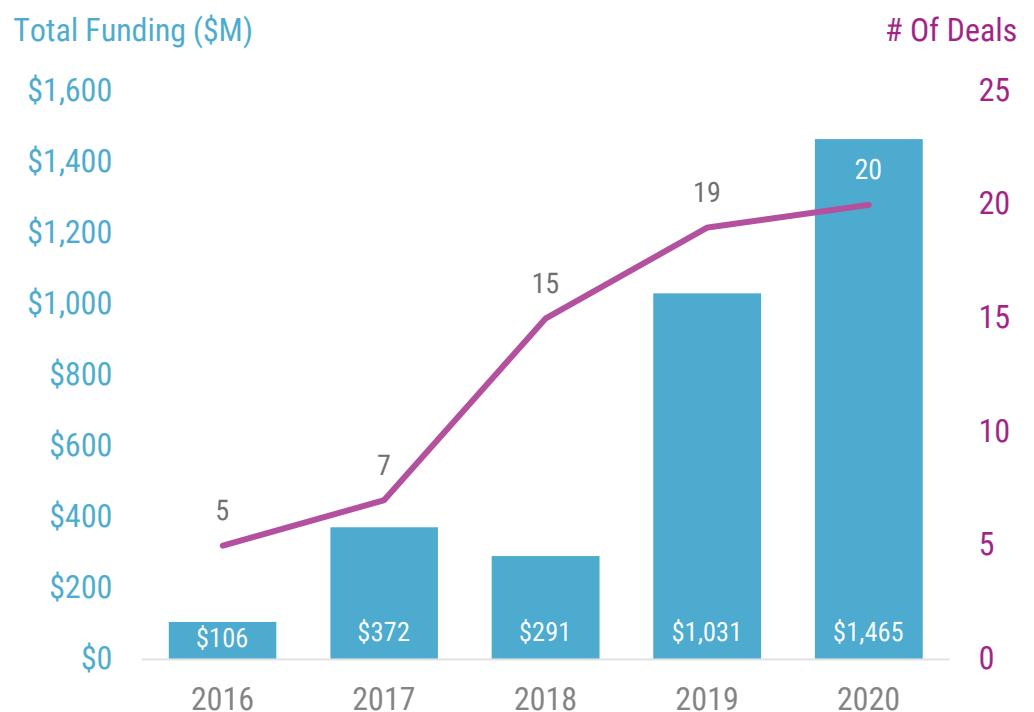
Sweden has the highest BNPL penetration with 24% of e-commerce payments attributed to BNPL

Exhibit 5: 2019 eCommerce mix by payment method



Source: Global Payment Report 2020, WorldPay

BNPL startup funding grew at a 93% CAGR from 2016 – 2020



Fintech benefits from shifting regulatory landscape

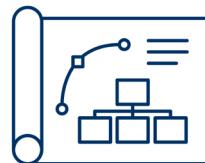
US regulation changes in Q4'20 will likely benefit many companies in the fintech ecosystem

Regulation/ruling



1. FDIC finalized revisions to regulations regarding **brokered deposits**

Impact to fintech



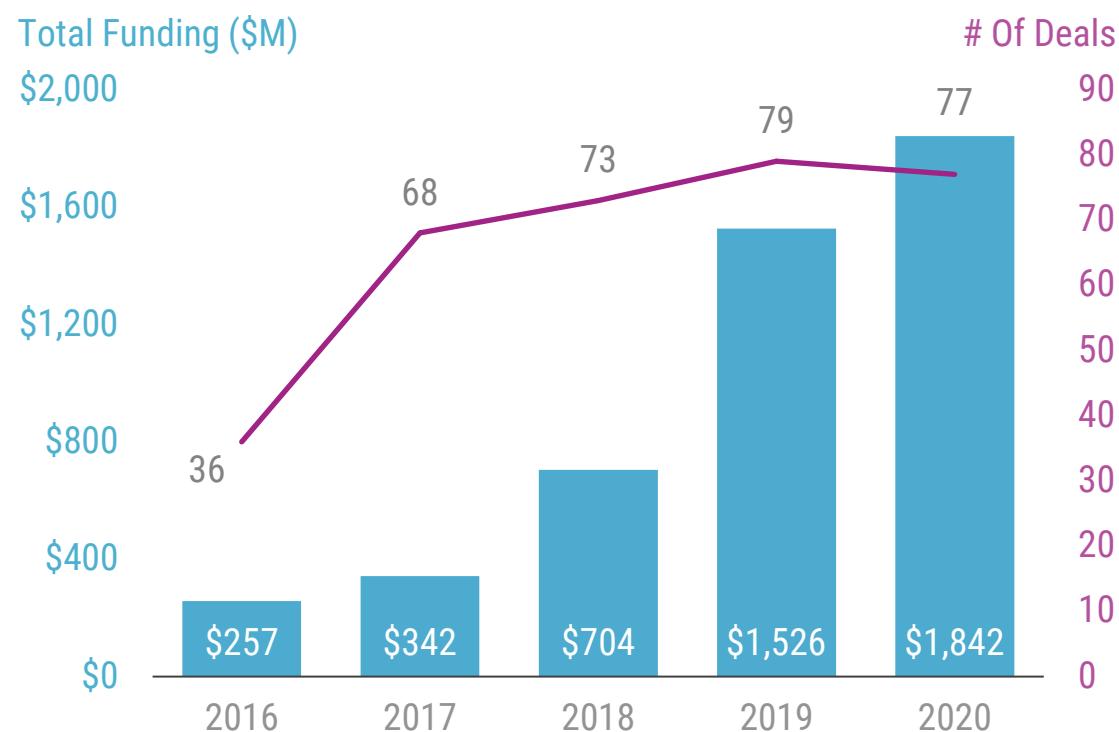
The rule change broadens options for “less than well capitalized” banks to gather deposits and will likely encourage more partnerships between banks and fintechs.

2. CFPB determined PayActiv's **earned wage access** is not considered credit

The CFPB's approval order exempts PayActiv from the Truth in Lending Act and Regulation Z and sets a precedent for how earned wage access business models should be structured.

Investments in South America-based fintech companies surged from 2016 – 2020

Funding to South America-based fintechs has grown at a 64% CAGR since 2016



44% of deals went to alt lending and payments companies over that same period

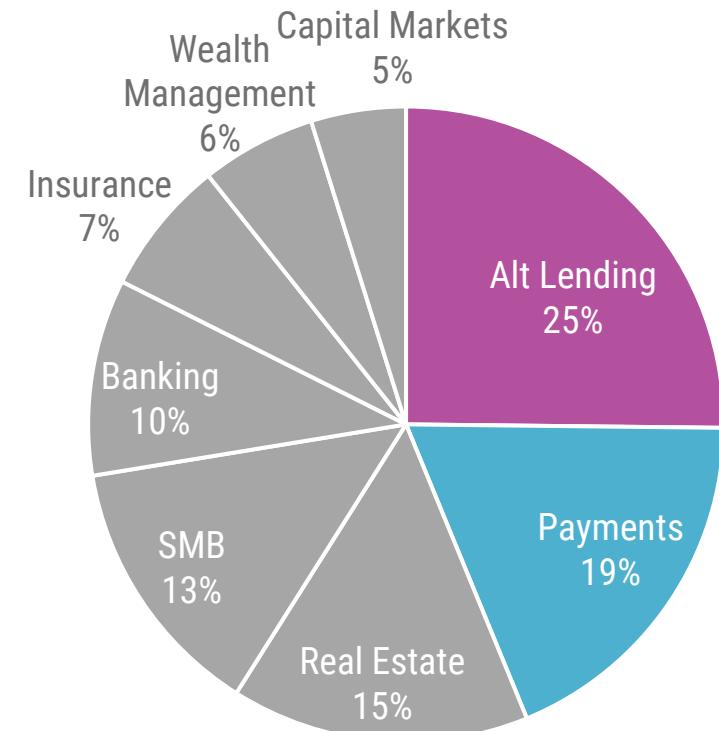


Table stakes: formerly innovative features have become must-haves for crowded fintech verticals

Challenger banks

- API integrations with banks
- Free current account
- No foreign transaction fees
- Virtual KYC/AML
- User-friendly interface

Alt lenders

- Alternative data underwriting
- Borrower-friendly terms
- Healthy partnership pipeline
- Instant fund disbursement

Consumer payments

- Instant/real-time transfers
- Merchant acceptance competitive with incumbents
- Roadmap to adjacent products such as lending and BNPL

FAMGA in fintech Q4'20 updates

facebook	<ul style="list-style-type: none">• Patent granted: "Processing payment transactions using artificial intelligence messaging services"• Product: Stablecoin association, Libra, rebranded to Diem, with plans to launch in early 2021
	<ul style="list-style-type: none">• Partnership: Signed a 4-year agreement with credit card company, Isracard, to bring Apple Pay to Israel
 Microsoft	<ul style="list-style-type: none">• Partnership: Added Paysafe as a payment option in the Microsoft Store across 22 countries• Partnership: Adopted Adyen's Network Token Optimization to improve payment authorization rates
	<ul style="list-style-type: none">• Partnership: Axis Bank partnered with Google Pay and Visa to launch a new credit card (ACE credit card)• Product: Google Pay became the #1 app on the Google Play app store after the company launched a redesigned version
	<ul style="list-style-type: none">• Partnership: John Hancock, a division of Manulife, will offer a free Amazon Halo wearable along with a 3-year membership in its John Hancock Vitality Program

Emerging challenger banks focus on younger demographics



Banking for teens

Step offers a free FDIC insured bank account and Visa card designed for the next generation.

Get Step



Q4'20 Funding: \$50M Series B

Select Investors: Crosslink Capital, Coatue Management, Collaborative Fund, Stripe

Focus: New York-based Step provides teens and their families with financial tools for today's banking needs. Step has over 500K users today.



The card for children and teenagers

When you're ready for real money, it's time for the Gimi Card. Shop online or in stores and track all activity in the app. The Gimi Card and Gimi Account are included in your subscription that is free from hidden fees. First month is free!

Get the Gimi Card

Do you have more questions? [Read more](#)



Q4'20 Funding: \$1.6M Series A-II

Select Investors: Undisclosed

Focus: Sweden-based Gimi is a savings app for kids and parents, offering mobile wallet and budgeting tools for kids under the age of 18.



Financial education for your children

DISPONIBLE EN Google Play

DISPONIBLE EN App Store

DISPONIBLE EN AppGallery



Discover everything that mozper has



Q4'20 Funding: \$3.6M seed

Select Investors: Foundation Capital, F-Prime Capital, Hetz Ventures, Dux Capital, Secocha Ventures, John Farrell

Focus: Miami-based Mozper is a personal finance app and debit card designed for kids and parents in Latin America.

Business banking startups attack incumbent banks with SMB-focused offerings



Q4'20 Funding: \$15M Series A

HQ: New York, NY

Select Investors: Foundation Capital, Primary Venture Partners, Group 11

User Growth: Lili has seen rapid growth this year, with transactions up 700% since March and nearly 100K accounts opened since its launch in 2019.

Focus: Lili is a challenger bank designed for freelancers. The Lili checking account and mobile experience are created to help balance work & life with expense management and tax savings.



Q4'20 Funding: \$15M Series A

HQ: New York, NY

Select Investors: M13, Inspired Capital

User Growth: N/A

Focus: Rho Business Banking is a digital banking service for entrepreneurs. The product provides a full-service digital banking solution that integrates with the tools and services that entrepreneurs use to run their businesses.



Q4'20 Funding: \$12M Series A

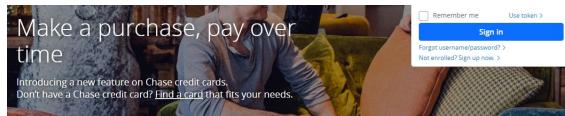
HQ: San Francisco, CA

Select Investors: e.ventures, Techstars, Base10 Ventures

User Growth: N/A

Focus: Wise is a digital banking and growth platform for small businesses. The Wise platform integrates with banking technology to offer cloud-based products and services that can help small businesses grow.

Challengers and incumbents want a piece of the ‘buy now, pay later’ market



MY CHASE PLANSM

Make equal monthly payments on purchases of \$100 or more³ — with no interest, just a fixed monthly fee.⁴



Equal monthly payments
for any purchase of \$100 or more



Pay it off with no interest
— just a fixed monthly fee



You still earn rewards
as you do today for purchases

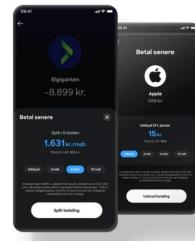
Q4'20 Developments: In November, Chase introduced My Chase Plan, its new “buy now, pay later” (BNPL) platform. My Chase Plan will enable credit card holders to select recent transactions over \$100, choose a repayment time period that ranges from 3 to 18 months, and make payments with no interest but a monthly fee.



POSTPONE OR SPLIT YOUR PAYMENT

With Pay Later you no longer have to fear checking your account at the end of the month. Get more flexibility in your finances when you shop and when unforeseen bills dump into your e-box.

*45 Enter your number [Get Lunar](#)



Q4'20 Developments: Denmark-based challenger bank Lunar launched an installment lending product, Pay Later, which can split transactions into installments and delay payments for up to 30 days in the mobile app. As of December, Lunar has 200K users mainly in the Nordics.



What is ICICI Bank Cardless EMI?

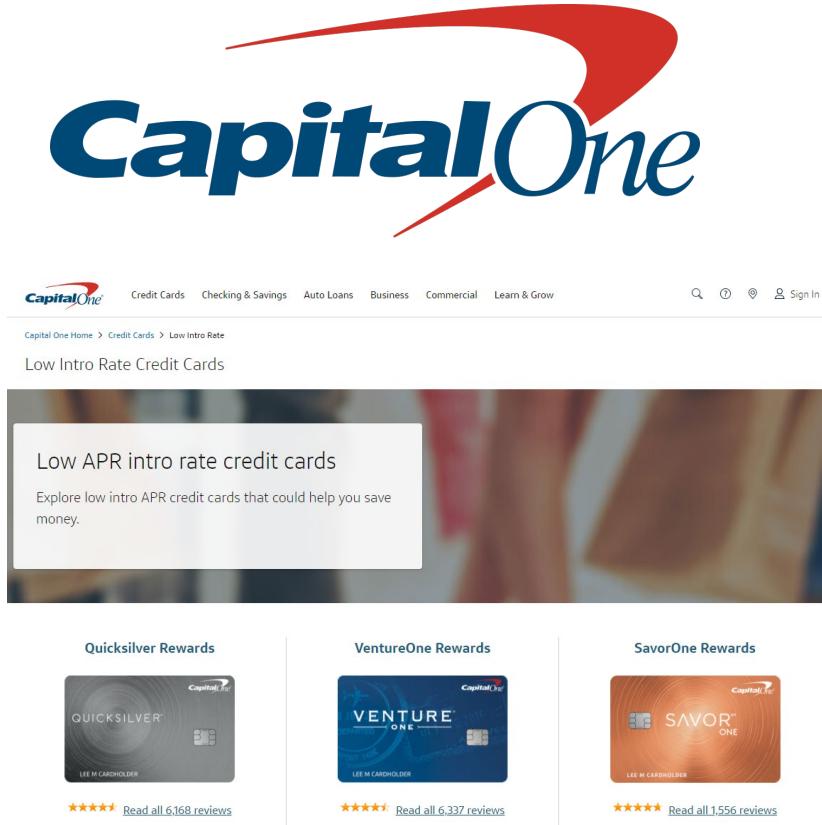
ICICI Bank Cardless EMI is a unique proposition that enables ICICI Bank's pre-approved customers to avail of No Cost EMI option for the purchase of their favourite gadget/home appliances at a retail store without having to remove the card from their wallet. No Wallet, No Worry – you can still avail of no cost EMI on your gadget with Cardless EMI.

It enables customers to make their purchases in easy installments through a convenient OTP based approval process.

[Click Here](#) for terms and conditions

Q4'20 Developments: India-based ICICI Bank rolled out a mobile-only installment lending feature, Cardless EMI or Equated Monthly Installments. Only pre-approved customers will be allowed to buy goods in installments of 3 to 18 months.

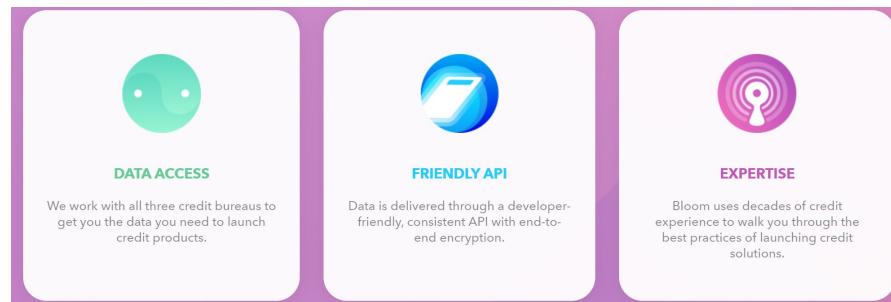
Capital One pushes back on BNPL for credit card transactions



Key Highlights:

- In December 2020, Capital One became the first major financial institution to bar its 62M customers from using its credit cards to clear BNPL debt.
- The company stated that BNPL transactions are risky for customers and banks as credit card defaults and charge-offs are expected to rise amid the pandemic.
- Capital One's main revenue generator is interest. Eliminating competitors who allow interest-free installment lending will help the company stay competitive and force its customers to use its credit card financing options instead.
- BNPL companies are subject to less regulatory scrutiny in most countries and usually attract customers with little to no credit history.
- Customers will still be allowed to use BNPL options through Capital One's debit card and checking account products.
- The BNPL industry should expect similar strategic decisions from major card issuers while BNPL regulation remains limited.

Alt lenders are improving credit data integration with API and cloud technologies



Q4'20 Funding: \$10M Series A

Select Investors: Resolute Ventures, Slow Ventures, Commerce Ventures, AllegisNL

Focus: New York-based Bloom Credit is an API platform that allows businesses to integrate with credit bureaus to access credit scores, credit monitoring, and furnishing products.



Meet the platform.

33M
End-customers
99,99%
Availability

6000+
Financial products
\$12bn
Portfolio under management

Q4'20 Partnership: SaaS banking platform Mambu partnered with fintech and bank infrastructure provider Alchemy to build a lending decision engine that will enable community banks and credit unions to deliver new loan products to the market faster.

Banks and credit unions can leverage Alchemy's front-end lending solution and Mambu's back-end processing solution to offer new lending products to both consumers and SMBs.

Millennials drive interest in social investment, ESG scores become important



European early-stage impact investing cos provide sustainable assets investment options



Make an impact with your savings

Invest sustainably to fight climate change. Follow your values without compromising on returns.

Your e-mail address

Get early access

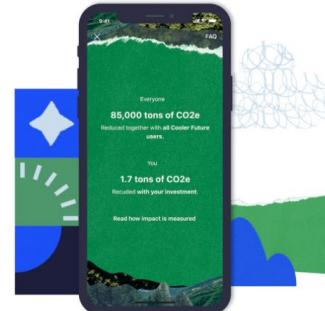
Capital at risk. The value of investment can fall and you may get back less than you invested.

Q4'20 Funding: \$3M angel

Select Investors: CrowdCube

Focus: Clim8 is a UK-based sustainable investing app that allows customers to invest in a targeted portfolio of publicly listed companies that aim to make an impact on climate change.

CB INSIGHTS



Make your investments climate-friendly.

Your money has power. By directing your investments towards companies that tackle climate change, you have the power to change the world.

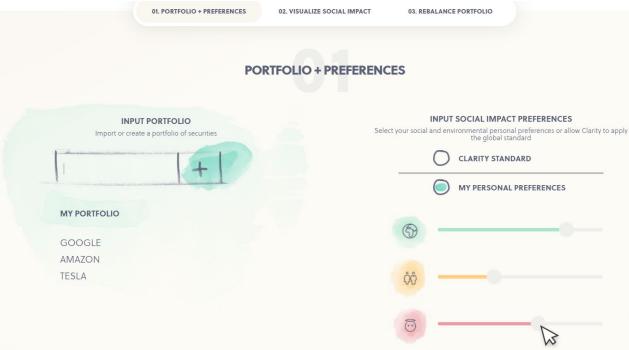
Q4'20 Funding: \$1.6M seed

Select Investors: Lifeline Ventures, Nordic Makers

Focus: Cooler Future is a Finland-based impact investing platform that allows users to invest in a climate-friendly portfolio of assets and track the carbon dioxide impact of their investments along with financial returns.



CLARITY AI



Q4'20 Funding: \$15M Series A

Select Investors: Mundi Ventures, DB1 Ventures

Focus: Madrid-based Clarity AI is an enterprise SaaS tool for asset managers that visualizes a more socially efficient capital allocation in customers' investment portfolios by providing tools to understand ESG impact.

ESG-focused startups became strategic acquisition targets

FACTSET



 **TRUVALUE LABS**

M&A Transaction: FactSet announced its acquisition of Truvalue Labs, an AI-driven ESG data analytics platform, in October 2020.

The acquisition will bolster FactSet's ESG data since Truvalue Labs currently covers 19,000 public and private companies and generates scores derived from various ESG signals.

MOODY'S



 **MIOTECH**

M&A Transaction: In November 2020, Moody's announced its acquisition of a minority stake in MioTech, a provider of ESG & KYC data and analysis tools in China.

The acquisition will provide innovative ESG and KYC solutions for Moody's in China's growing financial market.

Wahed



 **NIYAH**

M&A Transaction: Fintech Wahed Invest announced its acquisition of UK-based challenger bank Niyah in December 2020.

Wahed Invest provides robo-advisor investment services for the Muslim community, which will be further enhanced with Niyah's banking app and ethical financial platform that serves UK's underserved Muslim population.

Big players in payments, messaging, and banking expand further into wealth management



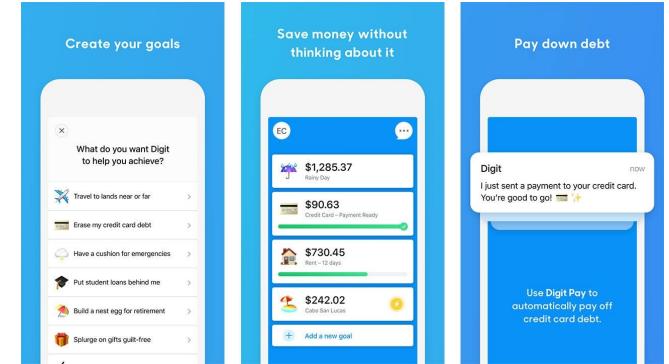
Q4'20 Developments: Safaricom, Kenya's mobile network operator, will partner with either fund managers or investment banks to launch mobile-first savings and wealth management products.

The shift will enable the large mobile payments player to expand its offerings and provide an omnichannel experience.



Q4'20 Developments: WhatsApp plans to roll out micro-pension products on its platform in India.

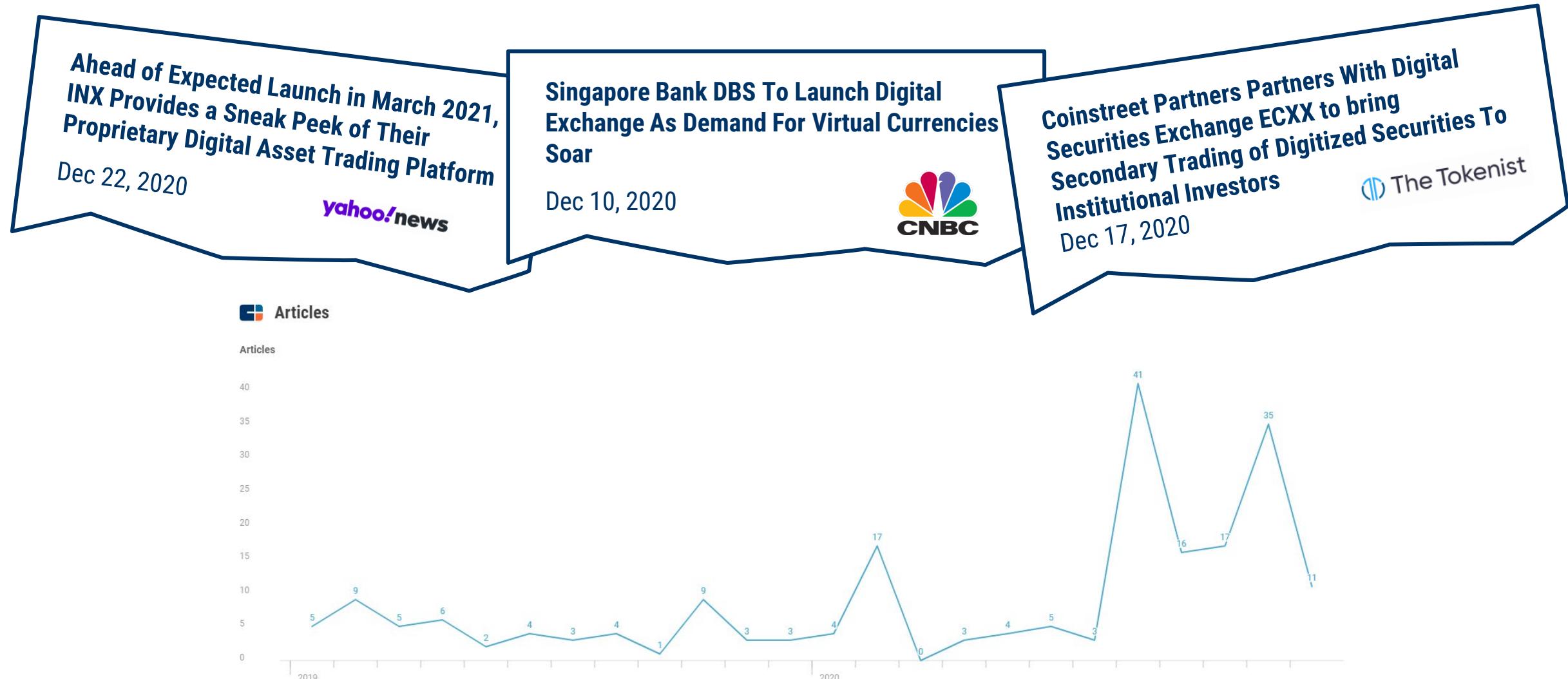
The Facebook-owned messaging app aims to partner with HDFC Pension to provide micro-pension products to people in India regardless of income and location.



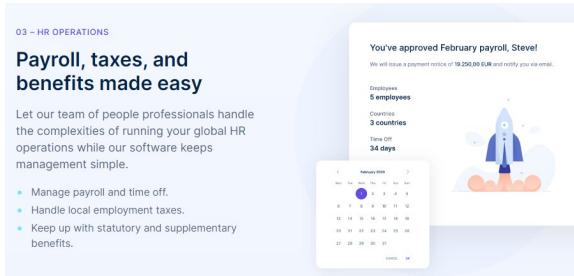
Q4'20 Developments: US-based challenger bank digit added robo-advising and automated retirement services to its platform.

The new service will periodically invest a user's extra cash into an IRA (individual retirement account) or long-term investment account, making the experience more seamless for the customer.

Incumbents step into digital securities trading



Payroll management startups address pain points across SMB segments



Q4'20 Funding: \$35M Series A

HQ: San Francisco, CA

Select Investors: Index Ventures, Sequoia Capital.

Focus: Remote aims to simplify payroll, tax, HR, and compliance for distributed teams. The company plans on expanding to 30 businesses, up from 17. It has doubled its customer base every month since its launch early in 2020.



Q4'20 Funding: \$15M Series A

HQ: Karnataka, India

Select Investors: Sequoia Capital India, India Quotient

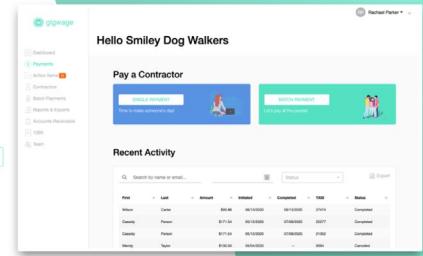
Focus: PagarBook is an employee management solution built for micro, small, and medium enterprises (MSMEs). The company focuses on MSMEs in the manufacturing, construction, and retail sectors where payroll and employee management are highly manual. The company claims to service over 5M MSMEs.



We Power Instant Contractor Payments

Our technology enables the world's innovators to instantly pay 1000 workers with more control, flexibility & scale.

Learn more: [Business](#) [Contractor](#)



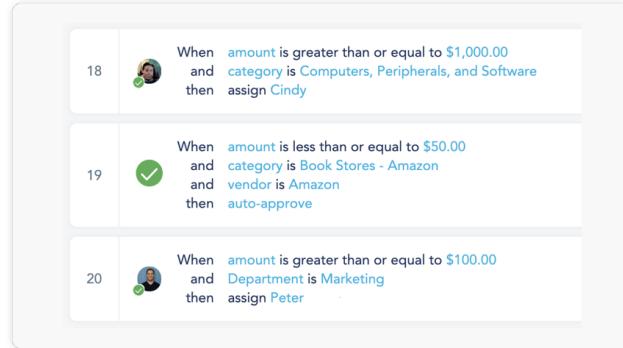
Q4'20 Funding: \$7.5M Series A

HQ: Dallas, TX

Select Investors: Greendot, Techstars

Focus: Gig Wage is a platform that aims to simplify payroll payments for the gig economy. Through its partnership with Green Dot, Gig Wage offers a debit card specifically for gig workers and plans to build a comprehensive banking platform to cater to this group.

Expense management companies tackle spending at various levels of the organization

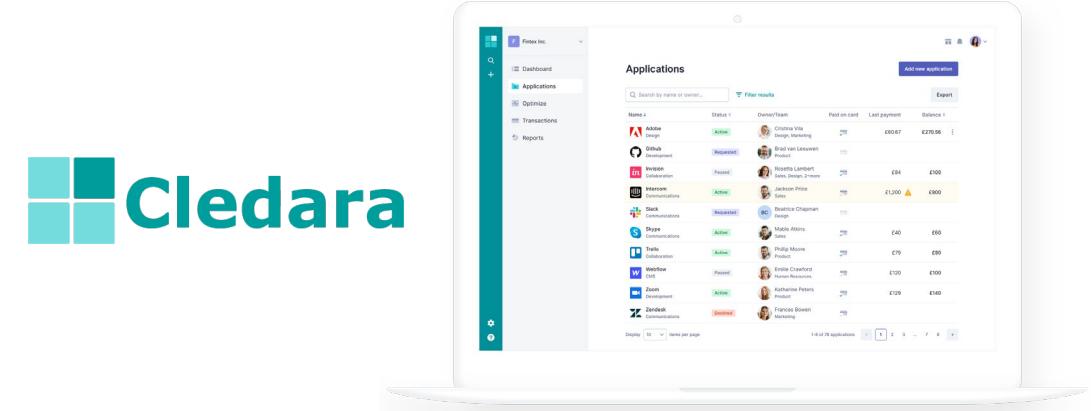


Q4'20 Funding: \$5M Series A-II

HQ: New York, NY

Select Investors: Fin Venture Capital, Silicon Valley Bank, Tribe Capital

Focus: Teampay is a spend management platform for decentralized teams. The platform allows multi-channel requests (including Slack), intelligent authorization, and real-time spend tracking to give finance teams transparency into spend. Teampay's spend under management reportedly grew 800% since the close of its Series A, while recurring software revenue grew by 320%.



Q4'20 Funding: \$3.4M seed

HQ: London, UK

Select Investors: Anthemis, Nauta Capital

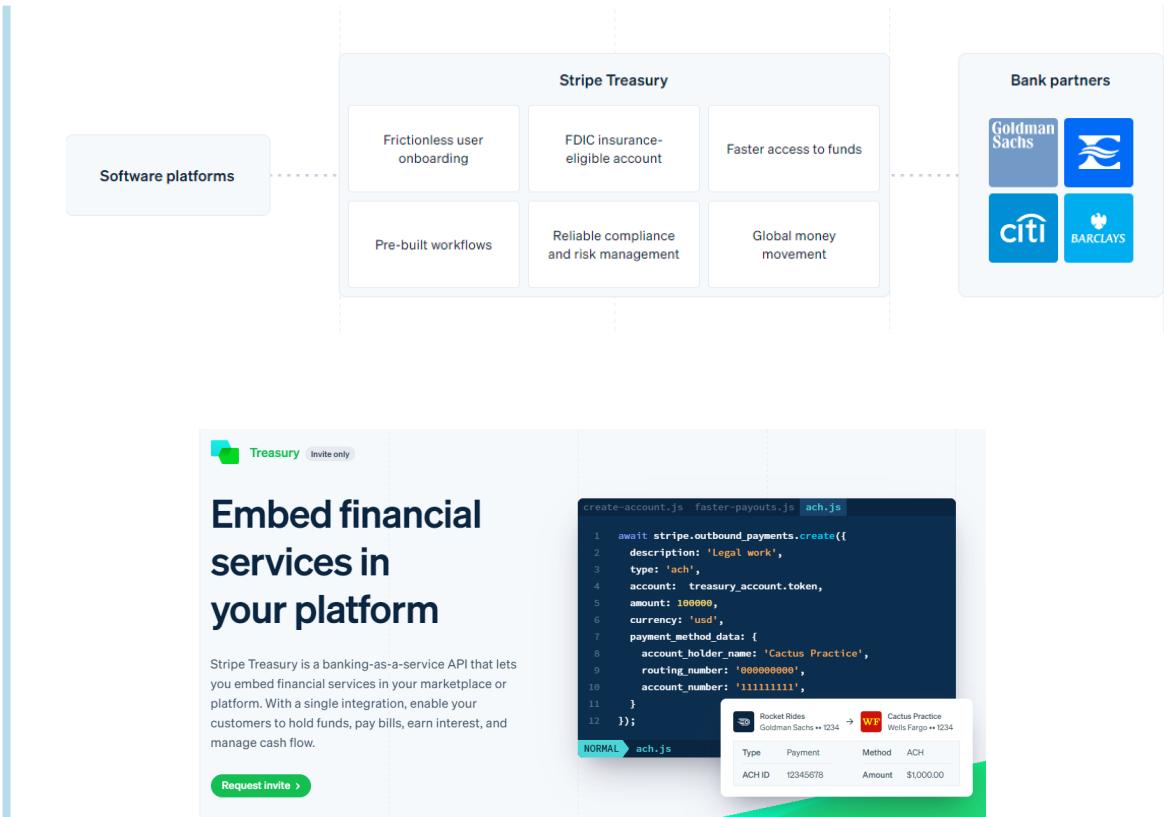
Focus: Cledara is a SaaS purchasing and analytics platform for businesses to manage recurring subscription payments. Cledara reports its customers reduce software spend by 30%. The company reportedly grew revenues by 20x in 2020, and has over 100 customers, including Railsbank, Florence.co.uk, and Unmind.com.

Stripe Treasury's 'platform of platforms' brings fin services online and to the SMB masses

stripe

Stripe launches its banking-as-a-service platform, Stripe Treasury

- Stripe Treasury's infrastructure enables marketplaces and platforms to offer their users financial services.
- Through the integration, platform users' customers can hold funds, pay bills, earn interest, and manage cash flow.
- Stripe has partnered with Shopify to power Shopify Balance, which offers merchants control over finances.
- Bank partners include Goldman Sachs and Evolve Bank & Trust in the US. Stripe plans to expand Treasury to other countries through partnerships with Citigroup and Barclays.



Point-of-sale systems and SMB lenders were M&A targets in Q4'20

Company	Exit Valuation	Total Disclosed Funding	Acquirer	Description
 SHOPKEEP	\$440M	\$162M	Lightspeed POS	ShopKeep provides a cloud-based iPad point-of-sale system.
 Upserve	\$430M	\$191M	Lightspeed POS	Upserve offers a cloud point-of-sale for restaurants.
 VISMA	\$225M	\$123M	Mercell	Visma provides business management software and services in the Nordic region.
 ondeck	\$122M*	\$394M	Enova	OnDeck Capital offers small businesses loans.
 fundera	\$24M	\$18.4M	NerdWallet	Fundera is an online marketplace for small business financial loans.

WHAT THE STATE OF FINTECH COVERS



PAYMENTS

Payments processing, card developers, money transfer platforms, and tracking software



INSURANCE

Companies selling or distributing insurance digitally or providing data analytics and software for (re)insurers



BANKING

Digital-first banks or companies digitizing banking services for credit and debit



CAPITAL MARKETS

Sales and trading, analysis, and infrastructure tools for financial institutions



ALTERNATIVE LENDING

Companies creating new solutions for personal or commercial lending



SMB

Companies focused on providing solutions to small- and medium-sized businesses



WEALTH MANAGEMENT

Personal finance tools, investment and wealth management platforms, and analytics tools

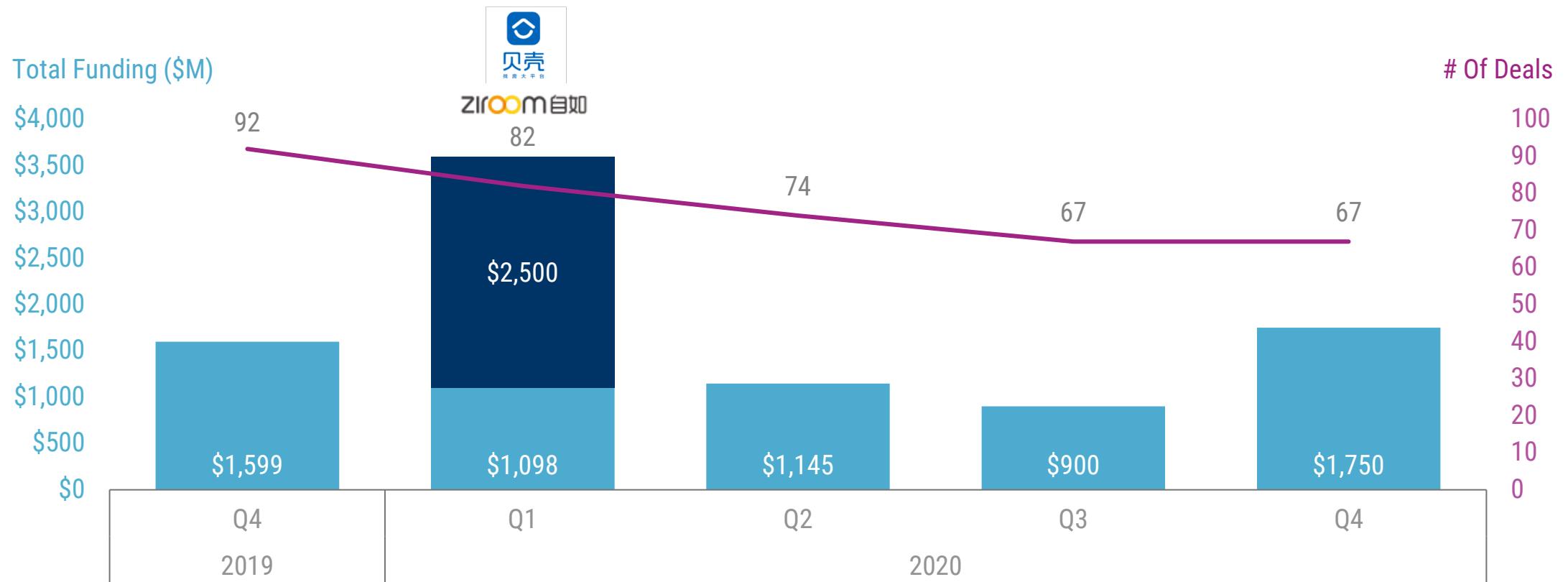


REAL ESTATE

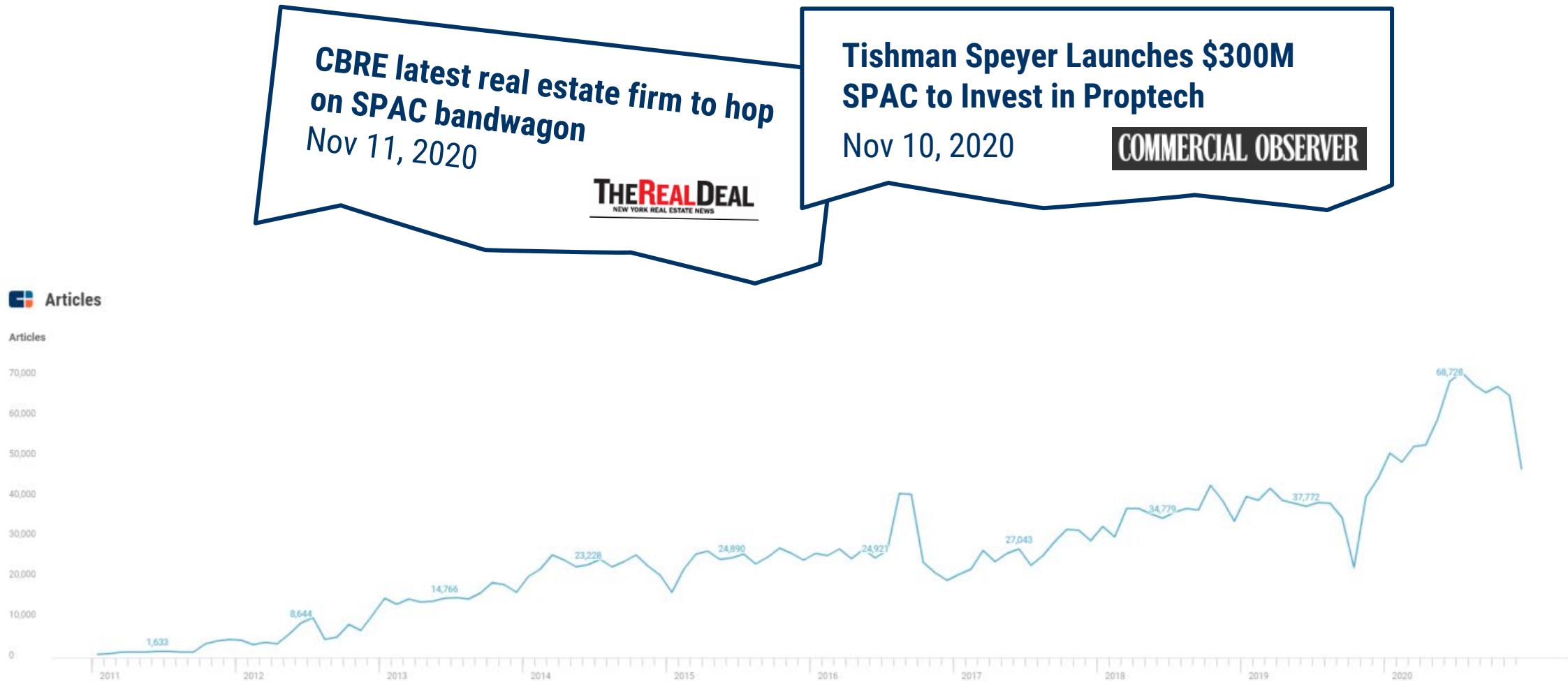
Mortgage lending, transaction digitization, and financing platforms

Real estate funding rebounded after 5-quarter low

Global VC-backed real estate financing trends, Q4'19 – Q4'20



SPACs surge in real estate tech



Mortgage platforms revived old IPOs and announced new ones



AmeriHome revived plans for its IPO, which could value the company at \$1.3B.

HQ: Westlake Village, CA

Year Founded: 2014

Focus: AmeriHome is a direct mortgage lender that offers home loans, refinancing, and loan servicing in the US.



LoanDepot revived plans for its IPO at a predicted valuation of \$12-15B.

HQ: Foothill Ranch, CA

Year Founded: 2010

Focus: LoanDepot is a nonbank consumer lender, offering home mortgage, refinance, and home equity loan products in all 50 states.



Better Mortgage

**No lender fees.
No commission.
No, really.**

We've streamlined the mortgage process to eliminate fees, unnecessary steps, and time-wasting appointments. Our efficiency not only makes it easier to buy a home, it translates into the best rates available.

See today's rates

Better.com prepares for a 2021 IPO at \$4B valuation.

HQ: New York

Year Founded: 2016

Focus: Better.com is a direct lender that provides online mortgage financing and refinancing services.

Startups build alternative paths to homeownership

Distressed home iBuyer



Does your house need some love?
Sell fast for the best price.

Sell as-is. No repairs, updates or showings. Move on your timeline. Pay zero fees.

Enter your street address

GET CASH OFFER

Q4'20 Funding: \$36M Series B

HQ: Sacramento, CA

Select Investors: Susa Ventures, Founders Fund, Navitas Capital, QED Investors

Focus: Sundae is a real estate iBuyer that focuses on distressed properties. It aims to allow homeowner to sell homes as-is with no repairs, updates, or showings. Sundae operates in select markets in California.

Co-ownership

Pacaso™



Shop

Check out our wow-worthy, single-family homes in top second-home destinations. Or tell us where you'd like to own so we can help find "the one." You decide how much to own, from $\frac{1}{8}$ to $\frac{1}{2}$.



Buy

We set up an LLC designed for co-ownership. We find vetted co-owners and manage sales details; owners are anonymous. At closing, LLC co-owners enjoy 100% ownership.



Enjoy

We take care of everything – interior design, home repairs, bill pay and property management. Scheduling is easy and equitable using our owner app and SmartStay technology.

Q4'20 Funding: \$17M Series A

HQ: San Francisco, CA

Select Investors: Maveron, CrossCut Ventures, Global Founders Capital

Focus: Pacaso's platform enables co-ownership for second-home buyers, allowing buyers to purchase anywhere from one-eighth to half of a second home, depending on occupancy needs. Pacaso places each property held in an LLC and fully manages it.

Lease-to-own

OWNR.

You Search • We Buy • You Live

Select any property

You choose your next home and we will buy it for you. Browse the largest online selection of properties for sale and pick your favorite to view with the agent. You can of course also come to us with a property that you have already selected.



Q4'20 Funding: \$14.8M seed

HQ: Hamburg, Germany

Select Investor: Atlantic Labs

Focus: OWR buys and leases out apartments and houses currently available for sale in the local market. Users have the option to buy without a brokers' commission and at a fixed price.

Online rental property listing platforms received more attention in the US and beyond

US-based startups raised new capital



California-based Apartment List is a rental listing platform for apartments. The company allows renters to search rental apartments in all 50 states and offers a wide range of search filters to help users quickly find the right property based on their needs.

Apartment List raised a **\$50M** Series D round in Q4'20 from investors including Allen & Company, Canaan Partners, Tenaya Capital, Soros Fund Management, and Janus Henderson Investors.

Early-stage international startups gained traction



Singapore-based Cove is a rental property search platform that allows users to browse apartments through VR and quickly book places online. Cove raised a **\$4.6M** Series A round in Q4'20 from Keppel Land.



South Korea-based Dongnae is a property search platform for rental and for-sale homes. Dongnae raised a **\$4.1M** seed round in Q4'20 from investors including Flybridge Capital Partners, MetaProp, and Maple VC.



Estonia-based Rendin is a mobile-based rental property search and agreement platform. Rendin raised a **\$1.5M** seed round in Q4'20 from Atomico, Tera Ventures, and TrueSight Ventures, among others.