



# The Pulse of Fintech, Q1 2016

Global Analysis of  
Fintech Venture Funding

May 25, 2016



# Welcome message

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After a significant drop-off in Q4'15, investment in VC-backed fintech companies roared back to life in Q1'16, lifted by a number of \$100M+ mega-rounds, including Lu.com and JD Finance in Asia and Betterment and Oscar Health Insurance in North America.

With interest in fintech continuing to branch outward beyond the traditional payments and lending space to robo advisory, InsuranceTech, and RegTech among other areas, it's not surprising that fintech investments are bucking trends in all regions of the globe. While economic uncertainty has caused some investors to hesitate with respect to making more traditional VC investments, they continue to see fintech as an area of opportunity and long-term growth. This resilience and ongoing interest likely bodes well for the remainder of 2016.

Over the quarter, we saw continued collaboration between the fintech sector and corporate players, with an increasing number of banks, financial institutions and insurance companies forging partnerships with fintech companies, accelerators and incubators in order to drive innovation within their own organizations.

We explore these and a number of other key trends in this Q1'16 edition of our *Pulse of Fintech Report* – a collaboration between KPMG International and CB Insights. As a part of our analysis, we explore answers to a number of questions, including:

- What's driving the ongoing strength of VC investment in fintech?
- Why is Europe lagging behind the US and Asia when it comes to investment in fintech?
- How is InsuranceTech evolving and how is it expected to evolve over the next few quarters?
- How is the definition of fintech changing and expanding in different regions?



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CB Insights is a National Science Foundation backed software-as-a-service company that uses data science, machine learning and predictive analytics to help our customers predict what's next—their next investment, the next market they should attack, the next move of their competitor, their next customer, or the next company they should acquire.

# Welcome message (cont.)

We also put the spotlight on robo advisory in this edition of the report – a key area of fintech that has been gaining momentum in recent months.

We hope you find this edition of our *Pulse of Fintech Report* informative. If you would like to discuss any of the results in more detail, contact a KPMG adviser in your area.

Kind regards,

## Warren Mead

Global Co-Leader of  
Fintech, KPMG  
International and Partner,  
KPMG in the UK

## Ian Pollari

Global Co-Leader of  
Fintech, KPMG  
International and Partner,  
KPMG in Australia

## Dennis Fortnum

Global Chairman,  
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## Brian Hughes

Co-Leader, KPMG  
Enterprise  
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Co-Leader, KPMG  
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Partner, KPMG in Israel



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# WHAT THE PULSE OF FINTECH REPORT COVERS

*The Pulse of Fintech* report gives a detailed look at trends and data covering **equity transactions to venture capital-backed fintech companies globally**. For a full definition of data included in this report, see page 80.

While fintech covers a diverse array of companies, business models and technologies, companies generally fall into several key verticals, including:

**Lending tech:** Lending companies on the list include primarily peer-to-peer lending platforms, as well as underwriter and lending platforms using machine learning technologies and algorithms to assess creditworthiness.

**Payments/Billing tech:** Payments and billing tech companies span from solutions to facilitate payments processing to payment card developers to subscription billing software tools.

**Personal finance/Wealth management:** Tech companies that help individuals manage their personal bills, accounts and/or credit, as well as manage their personal assets and investments.

**Money transfer/remittance:** Money transfer companies include primarily peer-to-peer platforms to transfer money between individuals across countries.

**Blockchain/Bitcoin:** Companies here span key software or technology firms in the distributed ledger space, ranging from bitcoin wallets to security providers to sidechains.

**Institutional/Capital Markets Tech:** Companies either providing tools to financial institutions such as banks, hedge funds, mutual funds or other institutional investors. These range from alternative trading systems to financial modeling and analysis software.

**Equity crowdfunding:** Platforms that allow a collection of individuals to provide monetary contributions for projects or companies provisioned in the form of equity.

**InsuranceTech:** Companies creating new online carriers, brokerage and distributional platforms.

# TABLE OF CONTENTS

#	SECTION	Q1'16 INVESTMENT ACTIVITY
6	Summary	
8	Global Data	\$4.9B in funding   218 deals
35	North America	\$1.8B in funding   128 deals
52	Europe	\$0.3B in funding   47 deals
66	Asia	\$2.6B in funding   36 deals

All monetary references contained in this report are in USD

# SUMMARY OF FINDINGS

## FINTECH FUNDING RISES IN Q1'16; BUT TOP 3 MEGA-ROUNDS ACCOUNT FOR 50%+ OF DOLLARS

**Funding to VC-backed fintech companies hits \$4.9B across 218 deals in Q1'16:** Total fintech funding including activity by angels, PE firms, mutual funds and hedge funds hit \$5.7B across 468 deals.

**VC-backed deal activity rebounds from Q4'15 drop to hit new high:** After fintech deal activity fell to the lowest point since Q2'14 in Q4'15, Q1'16 saw deals propelled to a new high and rise 22% on a quarter-over-quarter basis.

**Asian mega-rounds buoy funding growth:** The number of \$50M+ fintech financings in Q1'16 grew by fewer than five on a quarterly basis but the three largest rounds accounted for 54% of all dollars invested in VC-backed fintech companies in Q1'16.

**Median early-stage deal size in fintech hits 5-quarter high:** Median early-stage (Seed - Series A) deal size among all VC-backed fintech companies was \$2.7M in Q1'16, a 5-quarter high and 29% higher than Q4'15.

### **Note: Report only includes all equity rounds to VC-backed fintech companies**

*CB Insights tracked a large number of mega-deals to VC-backed fintech companies this quarter that included hedge funds or mutual funds, for example. This report includes all of those rounds. This report does not cover companies funded solely by angels, private equity firms or any debt, secondary or line of credit transactions. All data is sourced from CB Insights. Page 80 details the rules and definitions we use.*

## NORTH AMERICA Q1'16 FINTECH FUNDING: \$1.8B ACROSS 128 DEALS

**Deals on pace for new record:** In North America, the \$1.8B registered to VC-backed fintech companies in Q1'16 puts 2016 on pace for a 10% funding drop at the current run rate. VC-backed fintech deal activity in 2016 is on track to top 500 deals at the current pace.

**Corporates participate in over 1 of every 4 North American deals:** Corporate participation in deals to North American fintech companies rose for the second straight quarter and hit a 5 quarter high at 26%.

**Seed-stage fintech deal share falls for second straight quarter:** In Q1'16, seed activity took 28% of all fintech deals in North America, a 5-quarter low. VC-backed Series B fintech deal share fell to 14% in Q1'16 from 21% in Q4'15.

**Late-stage deal sizes drop to 5-quarter low:** A lack of mega-rounds helped push the median late-stage fintech deal size in North America to a 5-quarter low of \$19.5M. Median late-stage deal size in Q1'16 was 68% smaller than Q3'15's high, which included a \$1B financing to lender SoFi.



# SUMMARY OF FINDINGS

## EUROPE FINTECH: \$348M ACROSS 47 DEALS TO VC-BACKED COMPANIES

**European fintech deals rise to 5-quarter high:** Fintech deal activity in Europe rose 27% on a quarterly basis to hit a 5 quarter high in Q1'16.

**Seed deal share in Europe falls after rising for 3 straight quarters:** Seed deal share in European fintech companies fell to 30% in Q1'16 after hitting 46% in Q4'15. Series A deal share rose for the second consecutive quarter to take over 1/5th of all European fintech deals in Q1'16.

**Funding to VC-backed UK fintech startups drops:** After the collapse of former UK payments unicorn Powa, funding to VC-backed UK fintech companies fell 41% on a quarterly basis. Still, funding to VC-backed UK fintech startups outpaced that of Germany.

**Corporates get more active in Europe fintech deals:** Corporate participation in European fintech deals rose to 21% in Q1'16 from just 8% in Q4'15.

**No European fintech mega-rounds in Q1'16:** While UK challenger bank Starling raised \$70M in January 2016, when it came to VC-backed fintech companies, there were no \$50M+ financing rounds registered in the first 3 months of 2016 in Europe.

## CHINA MEGA-ROUNDS DOMINATE ASIA FINTECH FUNDING IN Q1'16

**Asian fintech funding rebounds from Q4'15 drop:** Q1'16 funding to VC-backed fintech companies in Asia jumped to \$2.6B from \$0.5B the quarter prior on the back of \$1B+ mega-rounds to JD Finance and Lu.com.

**Asian fintech deals on pace to match 2015 high:** At the current run rate, Asian fintech deal activity in Q1'16 puts deal activity on pace to match 2015's high of 144 deals.

**Asian fintech seed deal share rises as Series A falls:** Seed-deal share to VC-backed fintech companies in Asia rose from 15% in Q4'15 to 39% in Q1'16. Series A activity took fewer than 1/5th of all fintech deals in Q1'16, a 5-quarter low.

**Corporates pursue fewer deals in Asian fintech in Q1'16:** Corporate participation in Asian VC-backed fintech deals fell to 31% in Q1'16, a 5-quarter low. Still, corporate participation in Asia remained higher than in both Europe and North America and remained above 30% for the fifth straight quarter.

*In Q1 2016 VC-backed fintech  
companies raised*

**\$4.9B**

*across*

**218 deals**

*Overall fintech investment  
reached \$5.7B*



# Global fintech market roars back in Q1'16

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Investment into VC-backed fintech companies rebounded in Q1'16, reaching a record high number of deals on \$4.9 billion of investment. A substantial part of the increase over last quarter stems from two \$1 billion+ funding rounds to China based Lu.com and JD Finance.

## ***Big Deals in China dominating the fintech space***

In Q1'16, the two largest fintech deals occurred in China, representing almost half of all global investment. Q2'16 is expected to bring more of the same given the already announced \$4.5 billion dollar funding round to Ant Financial, which closed in April.

China continues to be led by large deals and we see other regions completing deals in both the smaller and mid-sized categories. In the US, while Betterment and Oscar Health Insurance raised \$100 million+ funding rounds, there was also a significant number of \$25 million + financings. Meanwhile, in Europe, strong deals occurred in the UK, Germany and Ireland – highlighting the range of European fintech hubs and the growing maturity of the European market.

## ***Less focus on payments – at least in North America***

The payments space has long been a key component of fintech investment globally, however, this appears to be changing. In North America especially, there were fewer startups in the payments space during Q1'16, likely due to market saturation and the success of market leaders' Square and Stripe. While companies like Adyen in the Netherlands have shown that payments companies can still attract investment globally, there is definitely less interest from investors in the US.

## ***Increasing interest in InsuranceTech***

Insurance has long been considered a sector ripe for disruption, similar to banking, even though it has been traditionally much slower to innovate. Part of the challenge is that banking lends itself well to startup companies coming in and focusing on improving one component of the banking process. By contrast, it is difficult to split off a part of insurance and make a sustainable business.

Over Q1'16, however, a number of insurance companies have become active in the fintech space, looking for solutions to help them establish more efficient business models and to reduce customer acquisition costs and improve customer service. As a result, InsuranceTech will be a key area to watch over the next few quarters.

# Global fintech market roars back in Q1'16 (cont.)

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## *Collaboration taking precedence over competition*

Globally, banks and other financial institutions are becoming more collaborative. The reality is the banks generally have three options when it comes to fintech: build their own proprietary technology, acquire a relevant fintech company in order to gain access to their technology, or partner with a fintech company to identify and achieve synergies.

Many banks are coming to realize the benefits of collaborative models. The partnerships created in this model are being forged not simply between fintech companies and banks, but also from fintechs forming alliances with each other, regulators, and with other industries in order to achieve common fintech objectives. Some examples of that can be seen in the development of blockchain technology. More of these types of activities are expected in the future.

## *Interest in robo advisory growing worldwide*

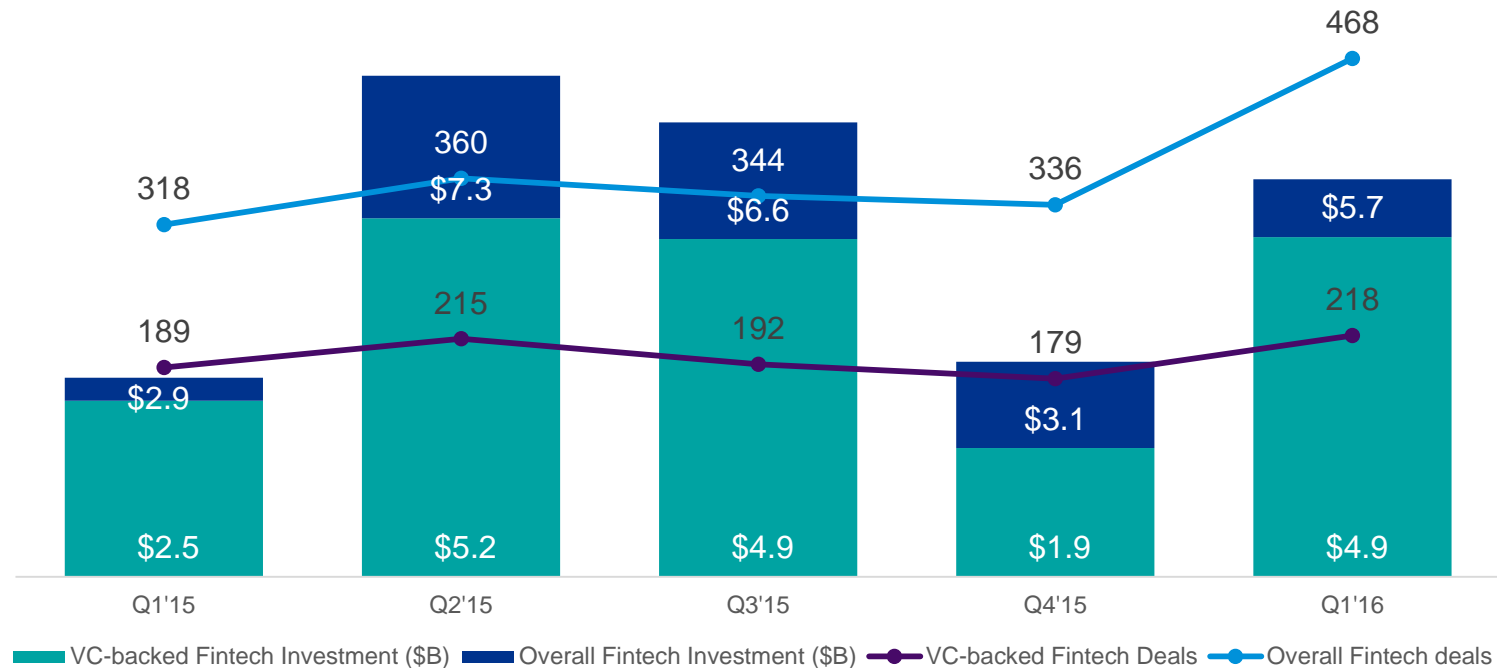
One area gaining momentum globally within the fintech space is robo advisory, as evidenced by Betterment's \$100 million funding round in Q1'16. In Europe and Asia, robo advisory offerings are still considered to be in the early stages of development – lagging, like many sectors, behind the US. At the same time, robo advisory companies globally are focusing on broadening the scope of robo advisory beyond simple portfolio rebalancing. As this area matures and diversifies into more sophisticated portfolio construction and other offerings, investment is expected to grow significantly.

# VC-BACKED FINTECH COMPANIES TAKE 86% OF OVERALL FINTECH FUNDING IN Q1'16

VC-backed deal activity rose just 22% in Q1'16 on a quarterly basis, while overall fintech deals rose 39% from Q4'15. The amount of fintech funding to non VC-backed companies fell for third-straight quarter in Q1'16.

## Quarterly Global Fintech Financing Trend

*VC-Backed Fintech Companies vs. Overall Fintech Investment\*, Q1'15 – Q1'16*



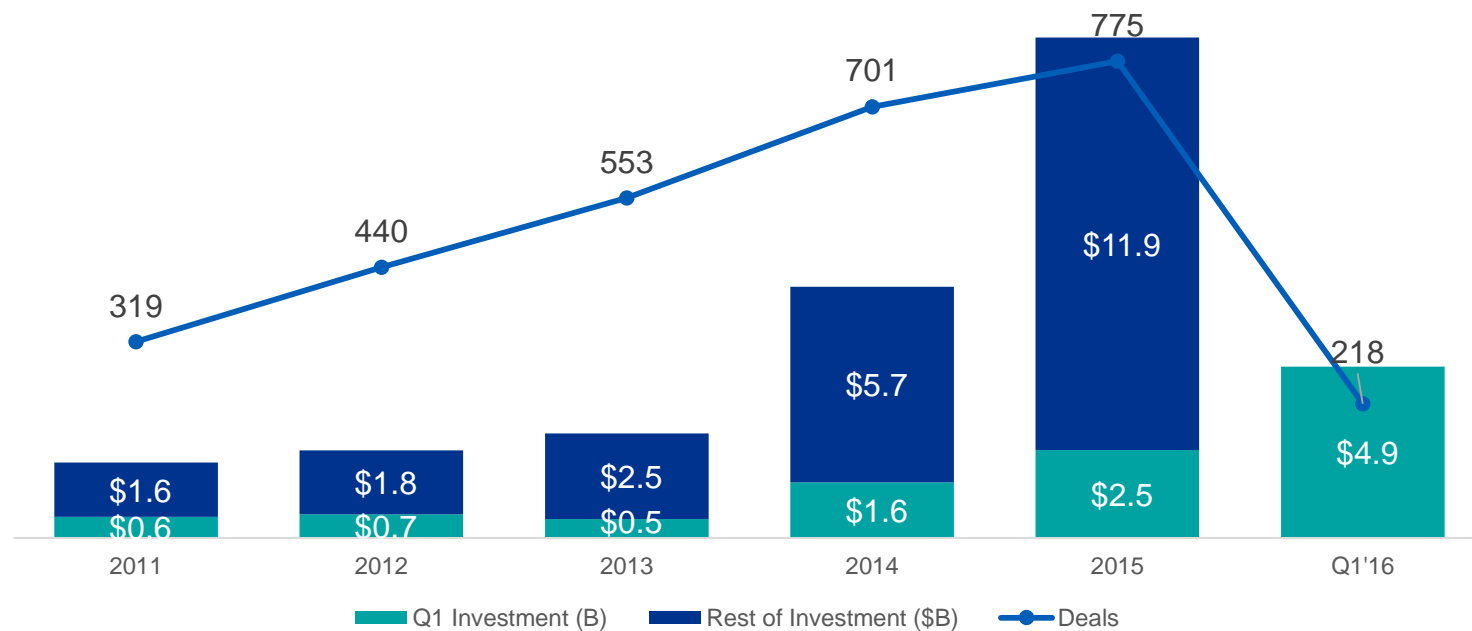
\*Overall investment includes fintech funding by angel investors, angel groups, private equity firms, mutual funds, hedge funds, VC, corporate and corporate VC investors.

Source: The Pulse of Fintech, Q1 2016, Global Analysis of Fintech Venture Funding, KPMG International and CB Insights (data provided by CB Insights) May 25th, 2016.

# \$4.9B DEPLOYED ACROSS 218 DEALS TO VC-BACKED FINTECH COMPANIES IN Q1'16

Limiting the data to equity funding involving VC-backed fintech companies shows 2016 on pace to top 2015's funding total by 36% at the current run rate. Deals are on track to rise 13% in 2016 at the current pace.

## Annual Global Financing Trends to VC-Backed Fintech Companies 2011 – 2016 YTD (Q1'16)



Source: The Pulse of Fintech, Q1 2016, Global Analysis of Fintech Venture Funding, KPMG International and CB Insights (data provided by CB Insights) May 25th, 2016.



# 25 LARGEST FINTECH DEALS OF Q1'16



1	Lu.com		\$1216M	Series B	14	BlueVine		\$40M	Series C
2	JD Finance		\$1010M	Unattributed VC	15	Blend Labs		\$40M	Series C
3	Oscar Health Insurance		\$400M	Series C	16	Open Lending		\$40M	Private Equity
4	Welab Holdings		\$160M	Series B	17	OLO		\$40M	Series D
5	Betterment		\$100M	Series E	18	Spotcap		\$34.4M	Series B
6	StoneEagle		\$76M	Growth Equity	19	AlphaSense		\$33M	Series A
7	Digital Asset Holdings		\$60M	Series A	20	Justworks		\$33M	Series C
8	Duanrong		\$59M	Series B	21	Huize Insurance		\$31M	Series B
9	Blockstream		\$55M	Series A	22	Edgewater Markets		\$30M	Growth Equity
10	Nubank		\$52M	Series C	23	MoneyMe		\$30M	Unattributed
11	Cadre		\$50M	Series B	24	Patreon		\$30M	Series B
12	LendUp		\$50M	Series B	25	Namely		\$30M	Series C – II
13	Aria Systems		\$50M	Series E					

Lending	Wealth Management	Blockchain	Real Estate	Capital Markets
Insurance	Payments	Mobile Banking	Institutional	Crowdfunding

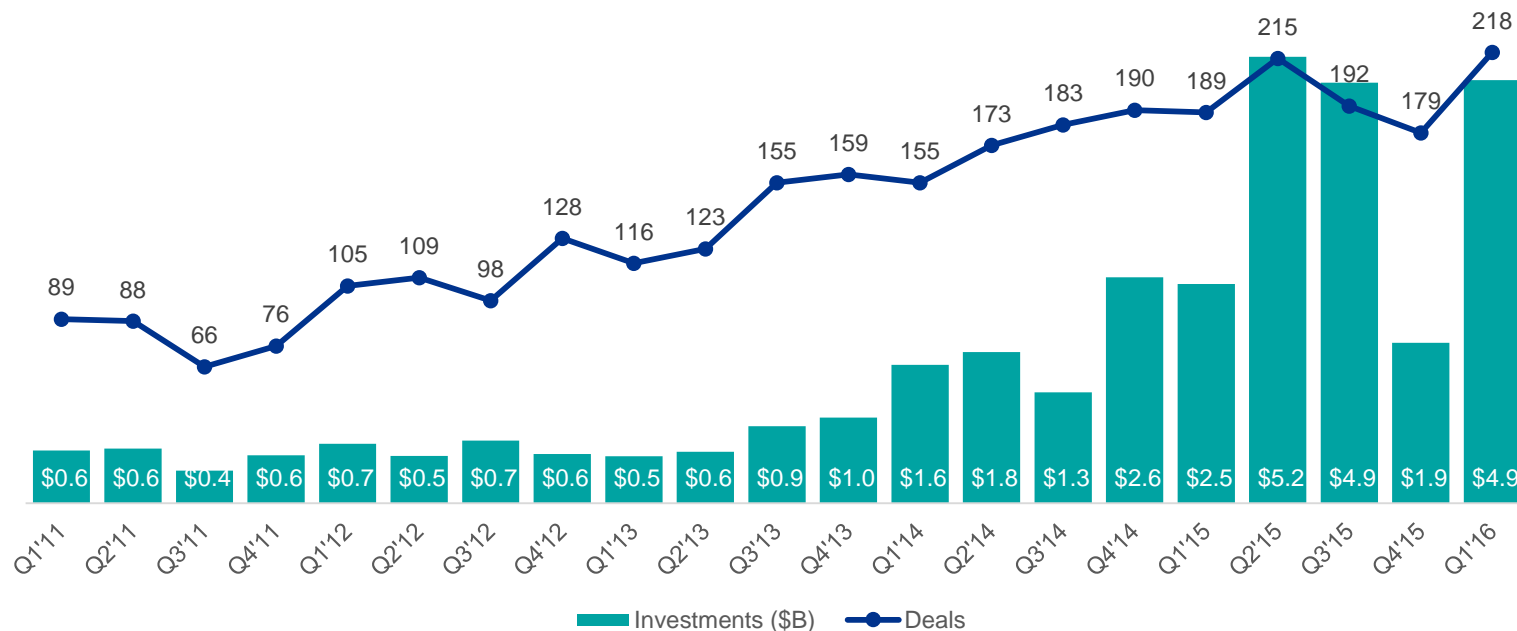
Source: The Pulse of Fintech, Q1 2016, Global Analysis of Fintech Venture Funding, KPMG International and CB Insights (data provided by CB Insights) May 25th, 2016.

# Q1'16 FINTECH FUNDING SEES FUNDING, DEALS PICK UP FROM Q4'15 DROP-OFF TO HIT NEW RECORD HIGH

After fintech deal activity fell to the lowest point since Q2'14 in Q4'15, Q1'16 saw deals propelled to a new high and rise 22% on a quarter-over-quarter basis. Fintech funding in Q1'16 rebounded 158% from Q4'15's total to hit \$4.9B.

## Quarterly Global Financing Trends to VC-Backed Fintech Companies

Q1'11 – Q1'16



Source: The Pulse of Fintech, Q1 2016, Global Analysis of Fintech Venture Funding, KPMG International and CB Insights (data provided by CB Insights) May 25th, 2016.

**“Fintech had a very strong start to the year, and with the recent multi-billion dollar investment in Ant Financial in April, we are starting to see fintech move into the mega-deal space. However, recent events at Lending Club and far more worryingly Ezubao, demonstrate that the sector is not without risk.”**



**Warren Mead**  
*Global Co-Leader of  
Fintech, KPMG International  
and Partner,  
KPMG in the UK*

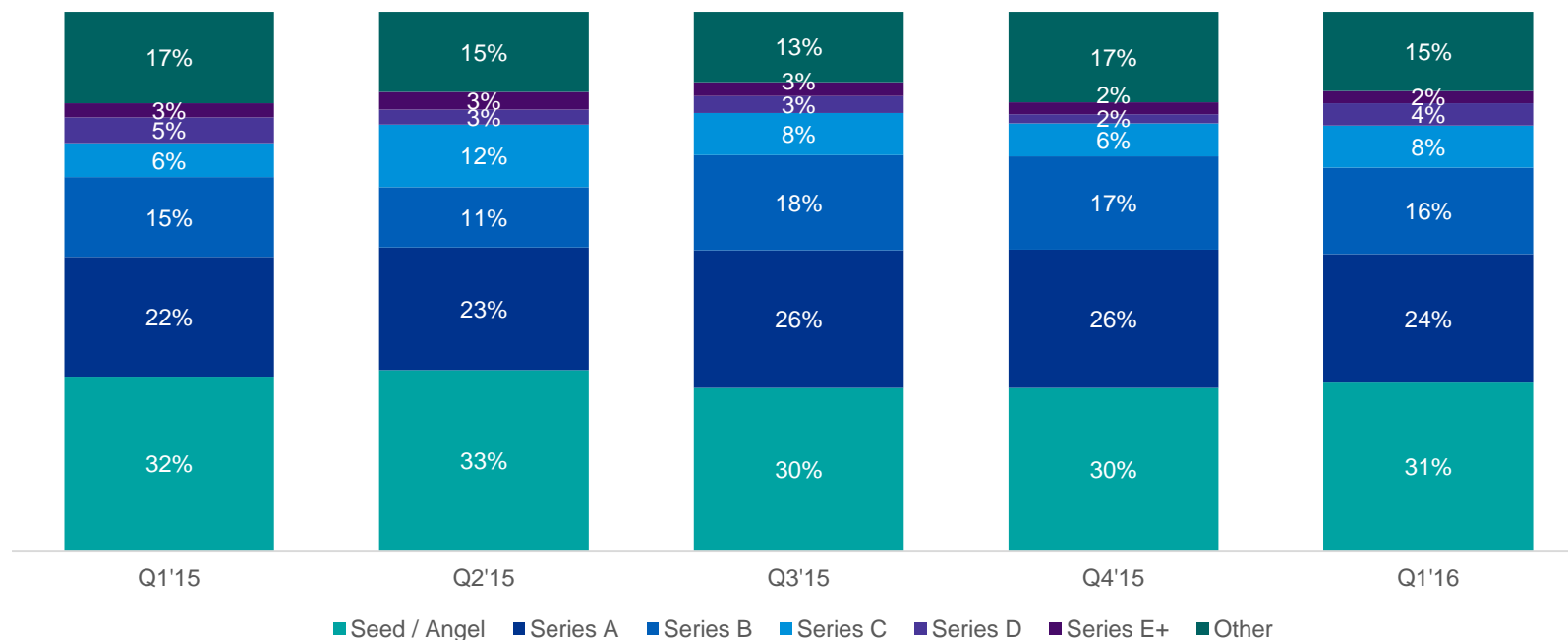
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# SEED-STAGE ACTIVITY REMAINS STEADY IN Q1'16

Fintech seed deal share remained at 30%+ for the fifth straight quarter in Q1'16. Series B deal share fell slightly for the second straight quarter in Q1'16.

## Quarterly Global Fintech Deal Share by Stage

Q1'15 – Q1'16



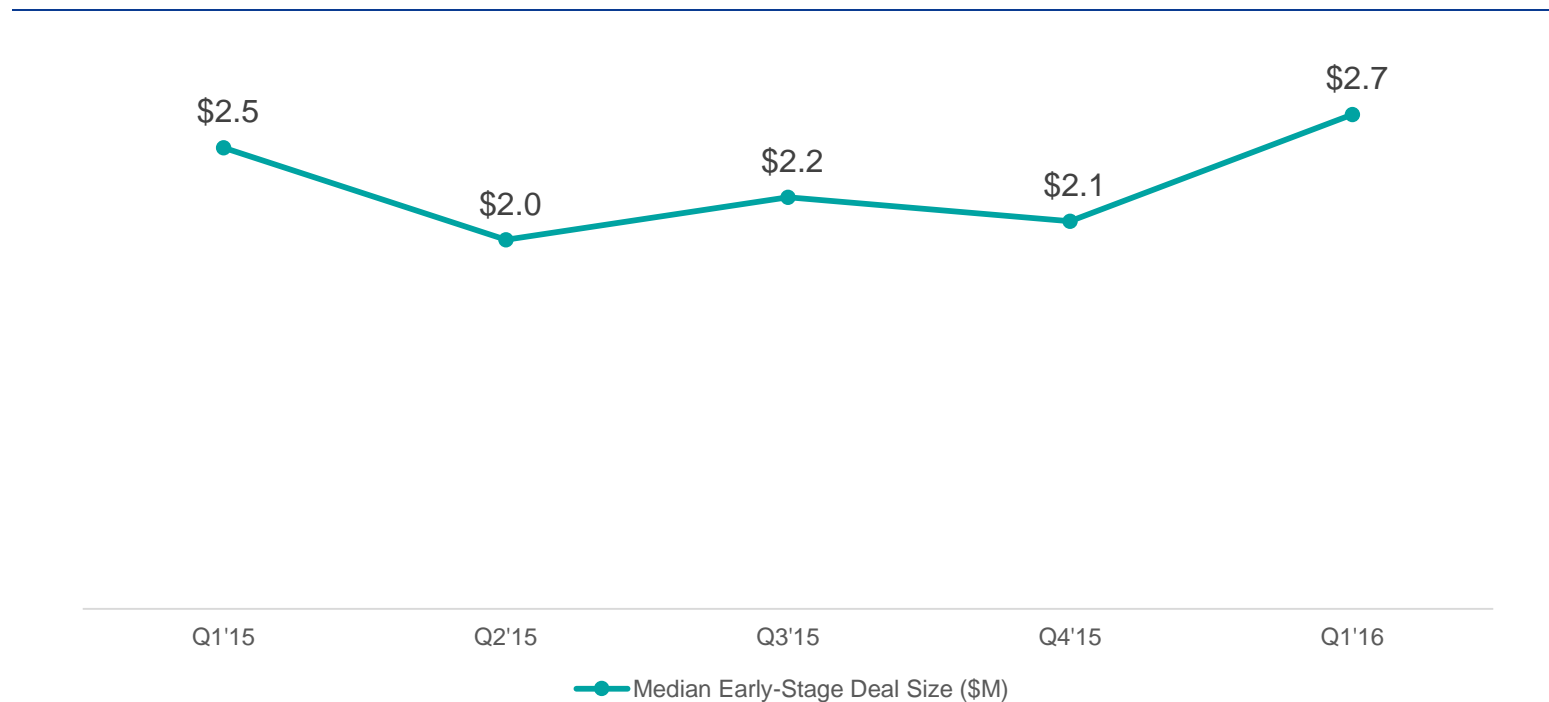
Source: The Pulse of Fintech, Q1 2016, Global Analysis of Fintech Venture Funding, KPMG International and CB Insights (data provided by CB Insights) May 25th, 2016.



# MEDIAN EARLY-STAGE FINTECH DEAL SIZE HITS 5-QUARTER HIGH

Median early-stage (Seed - Series A) deal size among all VC-backed fintech companies was \$2.7M in Q1'16, a 5-quarter high and 29% higher than Q4'15.

## Global Early-Stage Fintech Deal Size Q1'15 – Q1'16

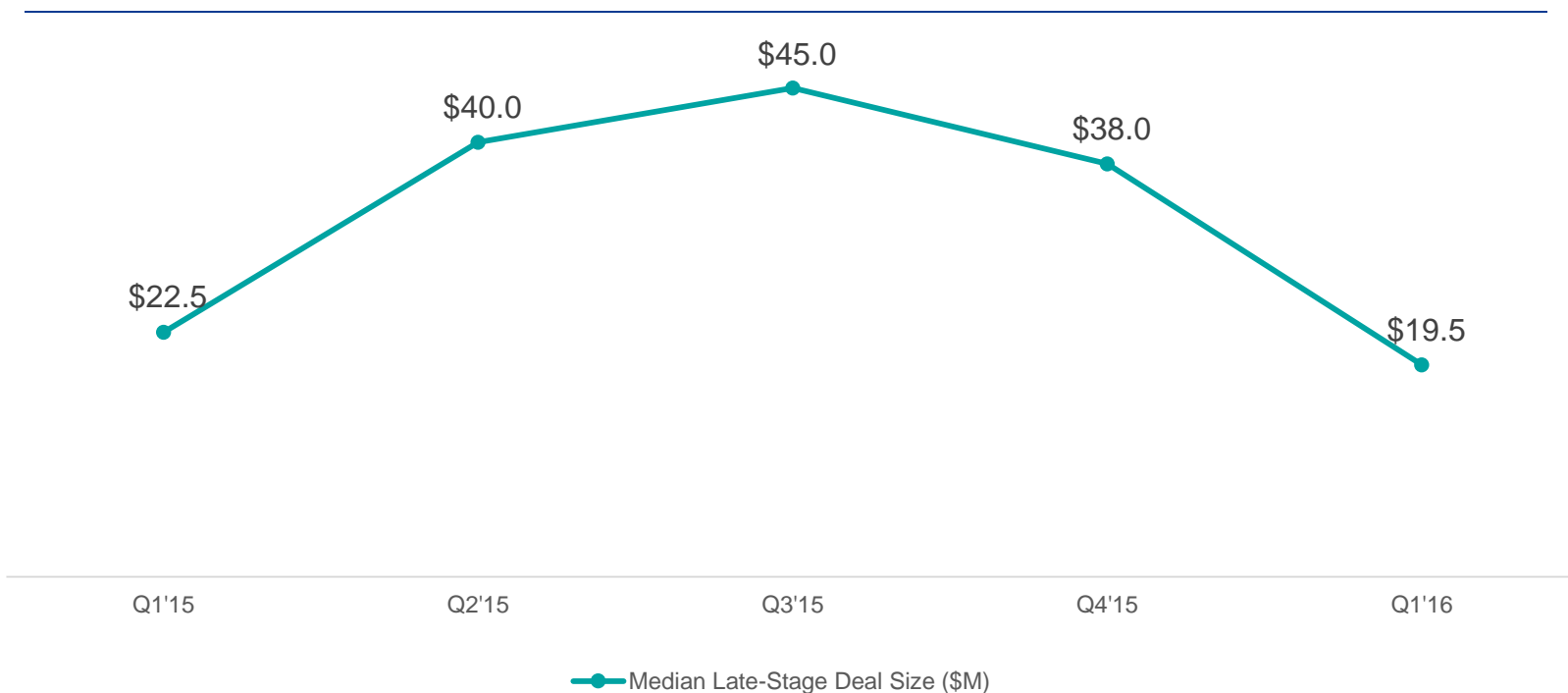


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# GLOBAL MEDIAN LATE-STAGE DEAL SIZE FALLS TO 5-QUARTER LOW

The median late-stage deal size in fintech fell for the second straight quarter to hit its lowest amount in 5-quarters at \$19.5M. Q1'16's median late-stage fintech deal size was 56% lower than Q3'15's \$45M median.

**Global Late-Stage Deal Size**  
Q1'15 – Q1'16



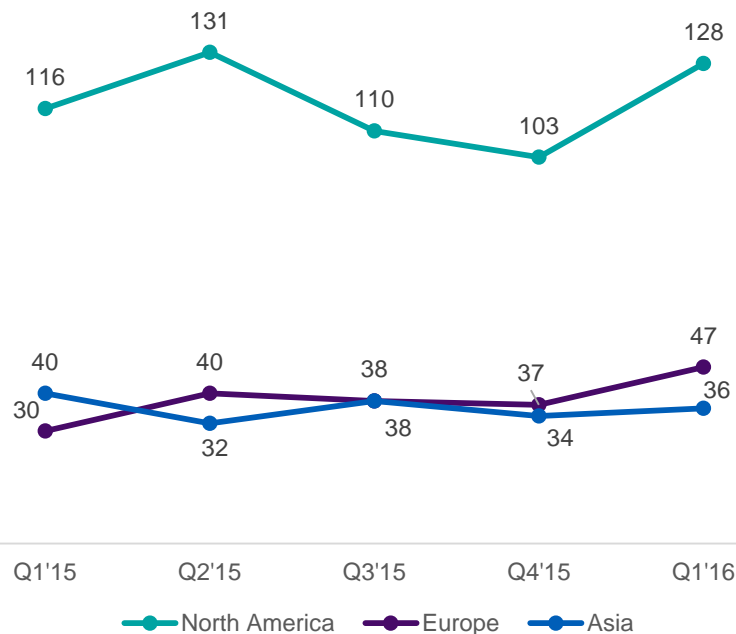
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# VC-BACKED FINTECH COMPANIES SEE Q1'16 DEALS RISE ACROSS CONTINENTS

Asia fintech funding matched a 5-quarter high in Q1'16 at \$2.6B as North American fintech funding rose 80% on a quarter-over-quarter basis. Europe fintech funding remained range-bound with 2015 quarterly totals in Q1'16. North America fintech deal activity rose to the highest amount in 3 quarters.

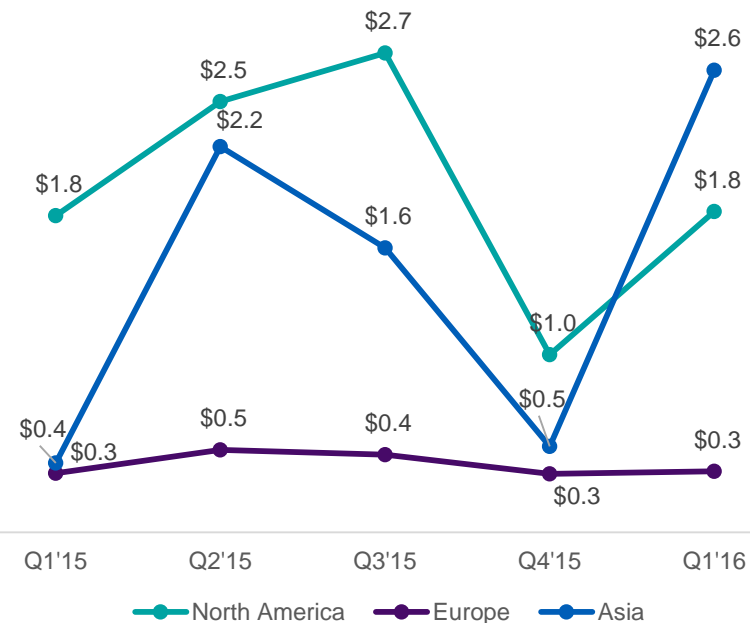
## Deal Count by Continent

Q1'15 – Q1'16



## Investment (\$B) by Continent

Q1'15 – Q1'16



Source: The Pulse of Fintech, Q1 2016, Global Analysis of Fintech Venture Funding, KPMG International and CB Insights (data provided by CB Insights) May 25th, 2016.

**“Over the next few quarters, fintech will likely become a more dominant player in the Venture Capital market globally. While the trend might be a decline in total global VC investment due to ongoing market pressures, fintech will most likely remain resilient – taking a bigger share of total VC investment over time.”**



**Arik Speier**

*Co-Leader, KPMG Enterprise  
Innovative Startups Network and  
Head of Technology,  
KPMG in Israel*

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# THE MOST ACTIVE VC INVESTORS IN FINTECH

QED Investors, 500 Startups and Khosla Ventures were the top three most active fintech investors over the last 5 quarters by unique company investments.

## Most Active VC Investors in Fintech Companies Q1'15 – Q1'16

Rank	Investor	Rank	Investor
1	QED Investors	8	Index Ventures
1	500 Startups	8	Blockchain Capital
3	Khosla Ventures	11	First Round Capital
4	RRE Ventures	11	Bain Capital Ventures
4	Accel Partners	13	Sequoia Capital
4	General Catalyst Partners	13	New Enterprise Associates
7	Nyca Partners	13	East Ventures
8	Route 66 Ventures		

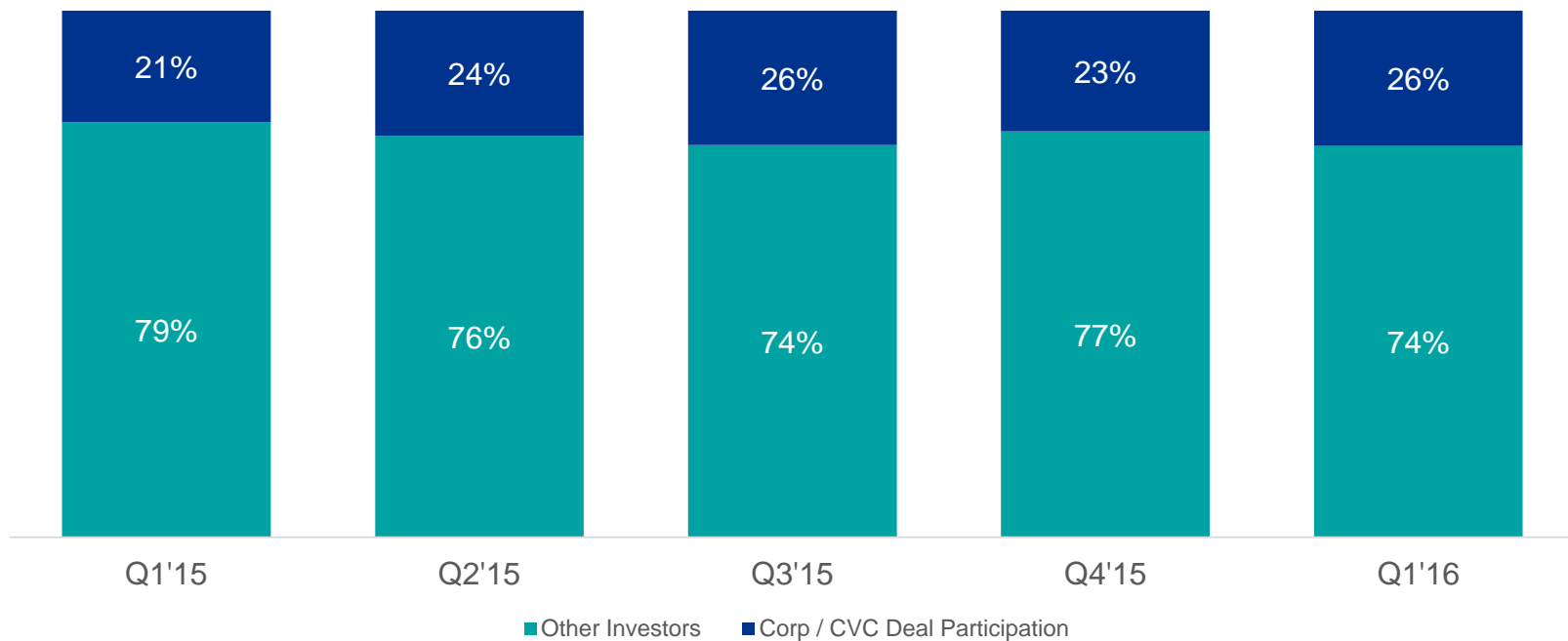
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# CORPORATES PARTICIPATE IN OVER 1 OF EVERY 4 FINTECH DEALS

Corporate participation in VC-backed fintech deals rose on a quarterly basis in Q1'16 and stood at 20%+ for the fifth straight quarter.

## CVC Participation in Global Deals to VC-Backed Fintech Companies

Q1'15 – Q1'16



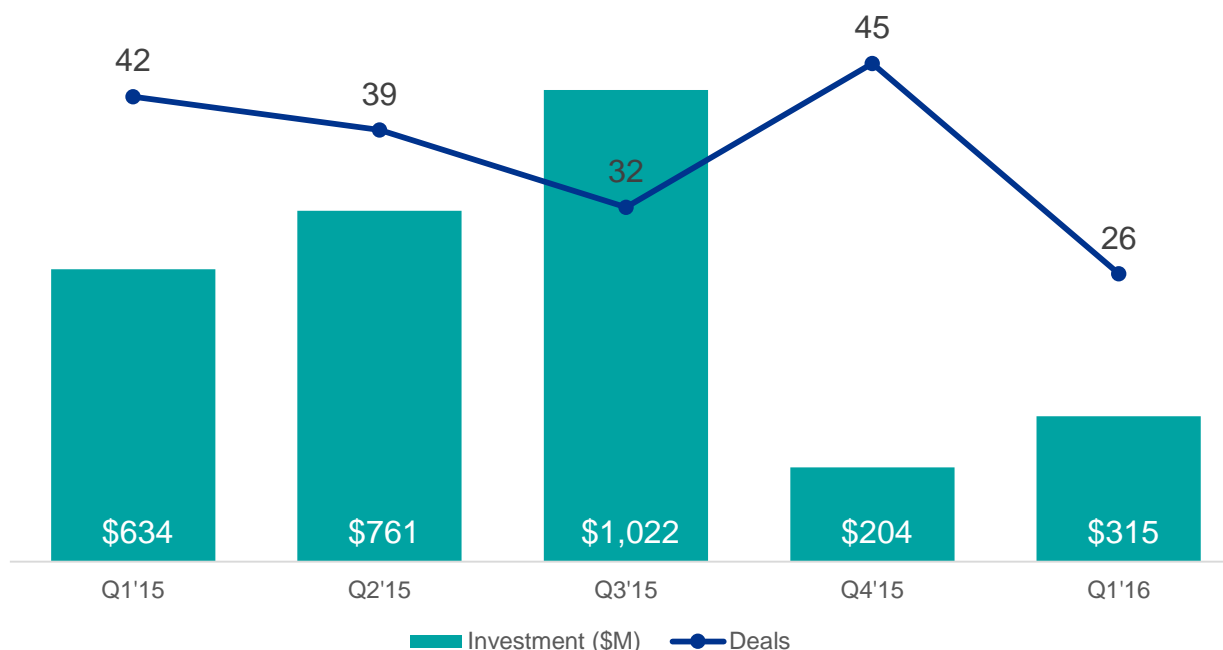
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# PAYMENTS TECH VC-BACKED INVESTMENT ACTIVITY

Top Deals & Countries, Q1'16

## Payments Tech Investment Activity

VC-Backed Companies, Q1'15 – Q1'16



## Top Deals

**StoneEagle**

\$76M // Growth Equity

**Blockstream**

\$55M // Series A

**Aria Systems**

\$50M // Series E

## Top Countries

**United States**

12 Deals // \$161.5M

**United Kingdom**

4 Deals // \$62.9M

**Singapore**

2 Deals // \$7.5M

Source: The Pulse of Fintech, Q1 2016, Global Analysis of Fintech Venture Funding, KPMG International and CB Insights (data provided by CB Insights) May 25th, 2016.

**“It seems clear that financial institutions may see fintech as an additional sales channel. In payments, they know they can’t match the speed and frictionless experience of the platforms... so financial institutions are looking to acquire or at least rethink their own internal processes.”**



**Fiona Grandi**  
*Financial Services Fintech  
Leader, KPMG in the US*

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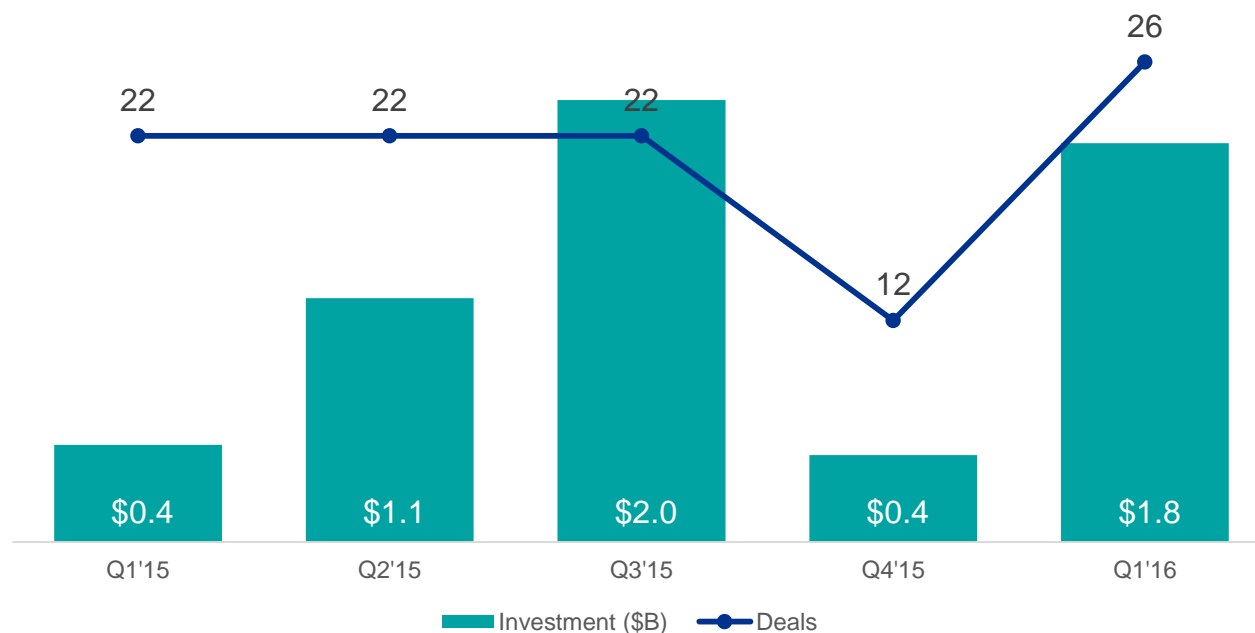


# LENDING TECH VC-BACKED INVESTMENT ACTIVITY

Top Deals & Countries, Q1'16

## Lending Tech Investment Activity

VC-Backed Companies, Q1'15 – Q1'16



## Top Deals

**Lu.com**

\$1.2B // Series B

**Welab Holdings**

\$160M // Series B

**DuanRong**

\$59M // Series B

## Top Countries

**United States**

10 Deals // \$181.6B

**China**

4 Deals // \$1.5B

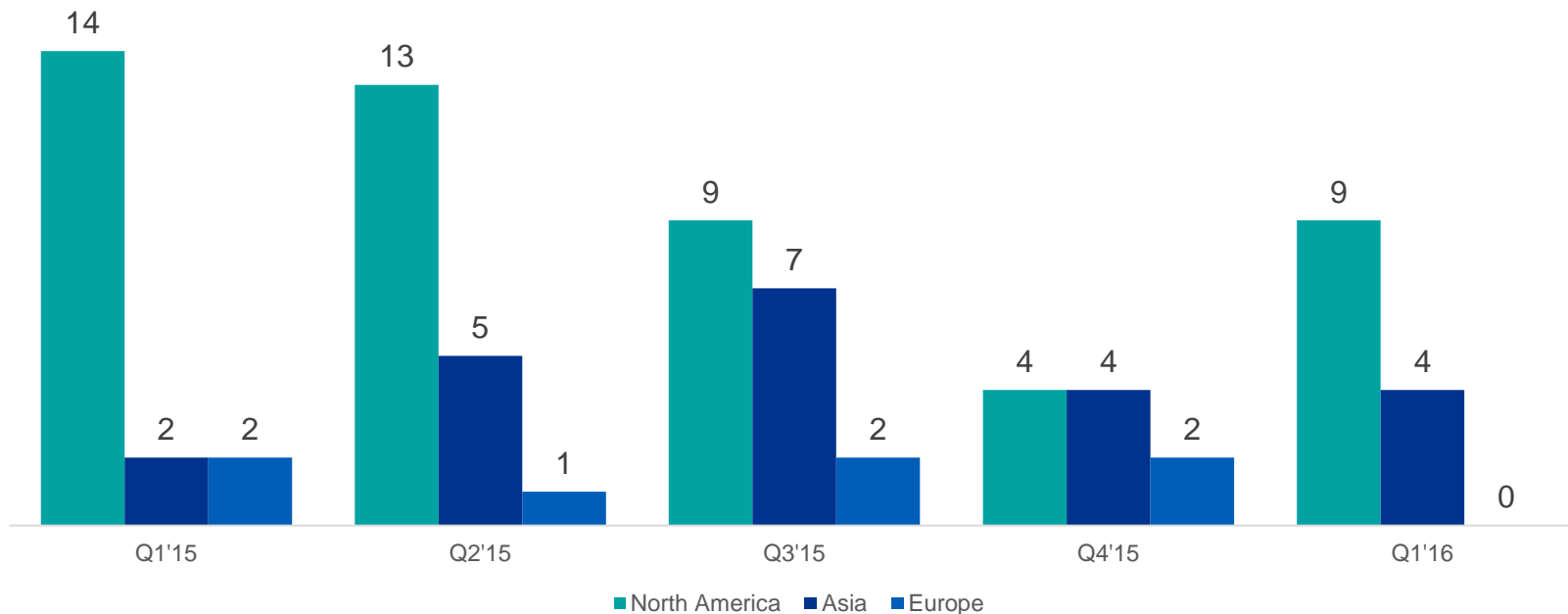
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# FINTECH MEGA-ROUNDS RISE IN NORTH AMERICA; ASIA MEGA-ROUNDS STAY LEVEL

After seeing \$50M+ fintech deals drop below five in Q4'15, North America saw an increase in mega-round activity in Q1'16 with the likes of Betterment, Aria Systems and Blockstream. Europe saw no VC-backed companies raise a mega-round in Q1'16.

## \$50M+ Financings to VC-Backed Fintech Companies

*North America vs. Asia vs. Europe, Q1'15 – Q1'16*



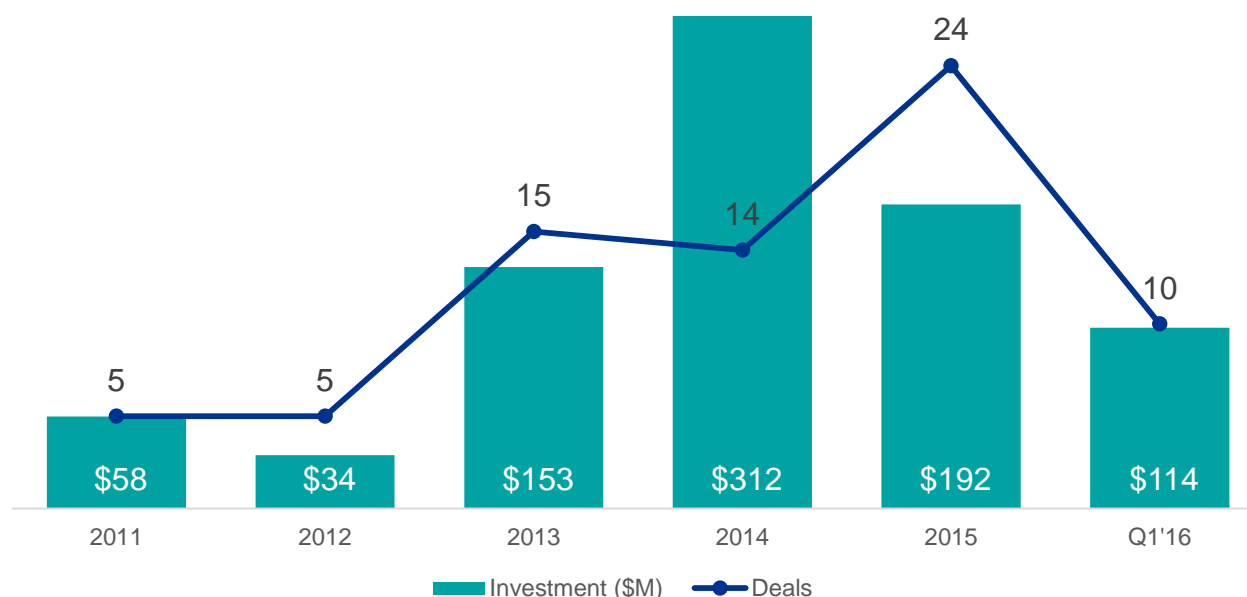
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# WEALTH MANAGEMENT TECH INVESTMENT ACTIVITY

Top Deals & Cities, Q1'11 – Q1'16

## Wealth Management Tech Investment Activity

2011 – 2016 YTD (Q1'16)



## Top Deals

**Betterment**

\$100M // Series E

**Wealthfront**

\$64M // Series D

**Betterment**

\$60M // Series D

**Personal Capital**

\$50M // Series D

## Top Cities

**New York**

17 Deals // \$301.1M

**San Francisco**

9 Deals // \$98.0M

Source: The Pulse of Fintech, Q1 2016, Global Analysis of Fintech Venture Funding, KPMG International and CB Insights (data provided by CB Insights) May 25th, 2016.

**“Fintech entrepreneurs in Asia-Pacific are starting to recognize the size of the opportunity outside of their local markets and are increasingly looking for cross border, regional or global expansion opportunities.”**



**Ian Pollari**

*Global Co-Leader of Fintech,  
KPMG International and Partner,  
KPMG in Australia*

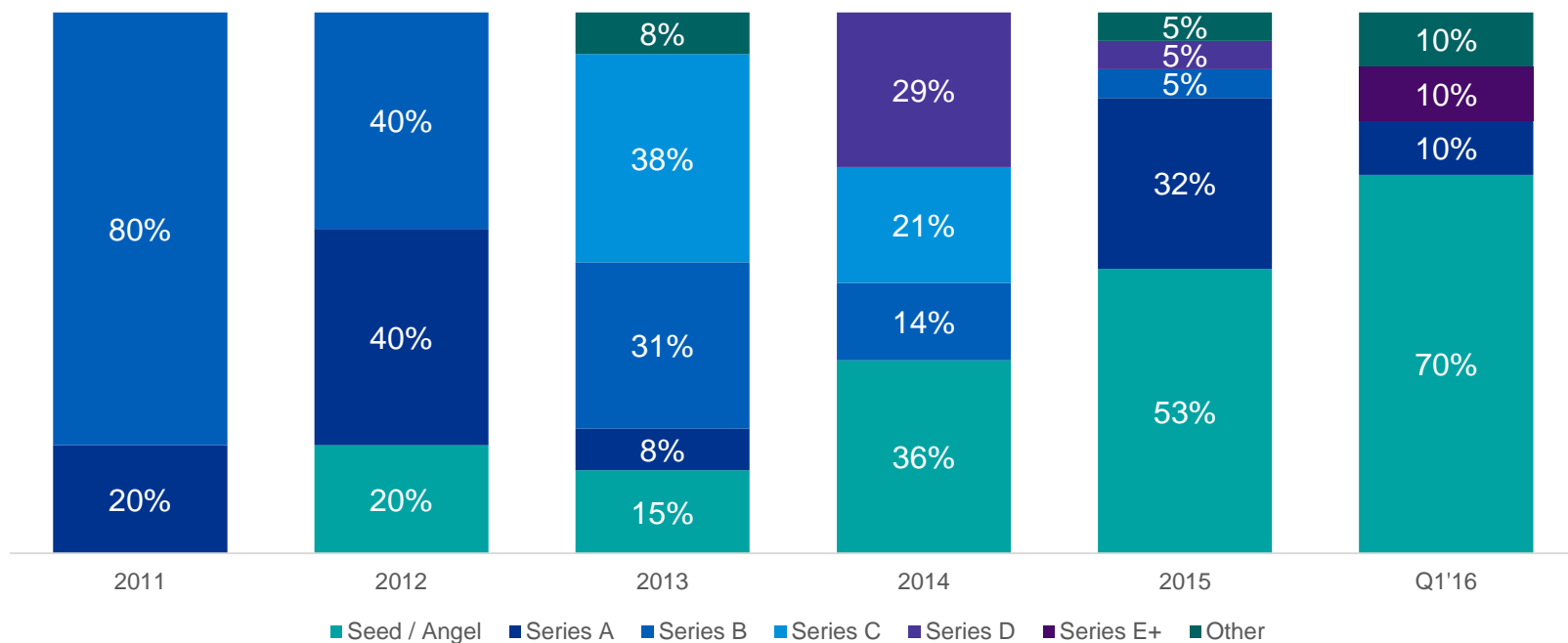
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# STARTUPS OUTSIDE US PUSH WEALTH MANAGEMENT SEED ACTIVITY TO NEW HIGH IN 2015

While robo advisors Betterment and Wealthfront have each raised over \$120M+ in funding, international startups including Scalable Capital, Indexa Capital and CashBoard pushed seed deal share in the wealth management tech space past 50%.

## Annual Wealth Management Tech Deal Share By Stage

2011 – 2016 YTD (Q1'16)



Source: The Pulse of Fintech, Q1 2016, Global Analysis of Fintech Venture Funding, KPMG International and CB Insights (data provided by CB Insights) May 25th, 2016.

# Robo advisory investment gaining momentum globally

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Within the venture capital space, one fintech area gaining momentum revolves around robo advisory – the provision of advice and intelligence using automated software platforms, rather than human advisors. The concept of robo advisory or wealth management technology as a service came out of the 2008 economic downturn, although it has only been over the past 18 to 24 months that VC investors have started to tune into this space.

Robo advisory itself has a broad definition. While the area of portfolio rebalancing is the most well-known offering, other areas are challenging the scope of what type of advice can be provided through a digital platform. For example, some companies are using machine learning and other technology innovations to offer sophisticated portfolio construction for trading purposes. A number of these companies are eschewing ETFs, instead using robo-engines to build portfolios directly in the market.

## *US leading the robo advisory charge*

Globally, the US is leading advances in robo advisory, with Wealthfront and Betterment LLC being the acknowledged fintech robo advisory market leaders. In Q1'16, Betterment raised a \$100 million Series E funding round, bringing its total valuation to \$700 million.

In other regions of the world, robo advisory offerings are seen to be at the early end of the development curve. While some companies, such as Nutmeg in the UK, are getting significant media coverage and recognition for the technology innovations, they are a long way from achieving the scale of their US counterparts.

## *Cooperation over competition*

For many pure play robo advisory companies, the cost of customer acquisition is critically high, while the return on customer relationships is quite low. This creates a challenge to make the economics associated with a standalone robo advisory platform function efficiently. Even market leaders have yet to fully prove the profitability of their business models and, as a result, there is likely to be a continued evolution of the go-to-market and distribution strategies for these solutions.

Where significant growth is expected lies in partnerships between robo advisory platforms and big banks. Over the past year, there has been a noticeable increase in platform companies creating relationships with banks to become the enablers of their digital service offerings. Further growth in this area is expected.

## *Regulatory barriers a big challenge outside the US*

The regulatory environment for robo advisory is not homogenous. Individual countries have different levels of investor protection, some of which pose major barriers to the success of robo advisory platforms. The US's light touch protections for retail and mass affluent investors is likely one reason the concept has grown quickly there. We expect the recently issued U.S. Department of Labor regulations, regarding increased fiduciary standards for retirement accounts, to actually offer a boost to the robo advice platforms.



# Robo advisory investment gaining momentum globally (cont.)

As a counterpoint, Europe has a more rigorous regulatory framework, including the need to demonstrate that a financial product sold to a customer is suitable. This makes it difficult to set up a platform that both meets regulatory requirements and increases efficiency.

## *Looking forward*

Over the next 12 months, VC investment in robo advisory is expected to grow, especially among corporate investors looking to embed the technology within their service offerings. The use of robo advisory platforms as tool for financial advisors, rather than a direct-to-consumers offering, is also expected to increase. On the customer side, the growth of fractional shares and fractional ETFs and the ability to use these to provide diversified portfolio construction at a more granular level, is expected to open the door to the delivery of a broader range of digital advice services.

Shifting demographics and the \$30T generational wealth transfer will likely have a significant role to play in the future growth and expansion of robo advisory. Given that many robo advisory platforms in use or being developed today are targeting millennials, there will likely be a natural progression of demand for more sophisticated robo advisory tools as millennials shift from the High Earning Not Rich Yet ('HENRY') classification into High Net Worth Individuals. Some forward-thinking banks, wealth advisors and fintech companies are already considering how this shift will affect the future of financial services so that robo advisory and other services are ready to respond as millennials make their evolving demands known.

Factoring in forward looking considerations, it is clear that when it comes to robo advisory, the current focus on asset allocation and portfolio rebalancing is simply a starting point. The next generation of digitalized advice platforms is already taking shape, including platforms that can provide a more holistic view of an investor's assets to provide advice across a portfolio, not only platform-managed assets. As robo advisory technology and tools continue to evolve and expand, there is little doubt that related VC investment will do the same.

**“In the future, we will likely see a broadening focus of digital advice including a much more holistic view of the clients' assets, income and liabilities; not just the assets under management for that given platform.”**



**Daniel O'Keefe**  
*Subject Matter Expert  
Robo Advisory,  
KPMG in the US*

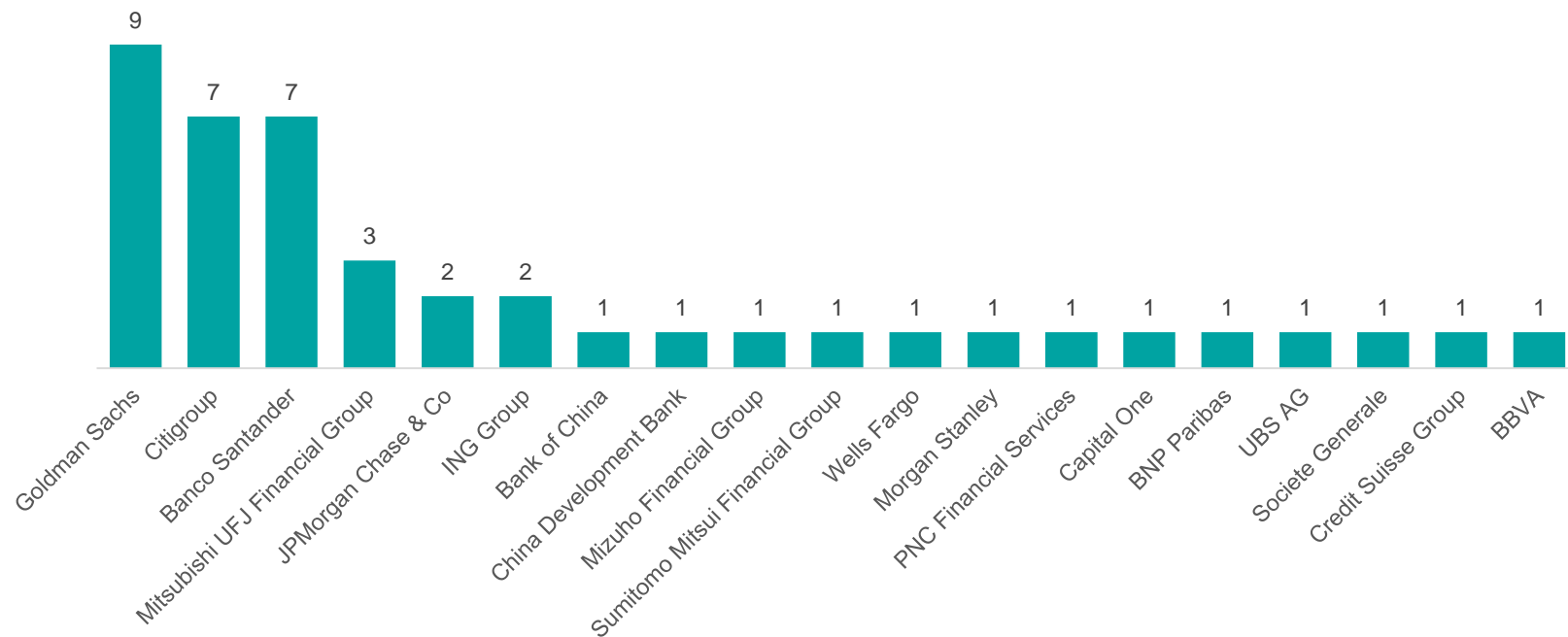
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# GOLDMAN SACHS, CITIGROUP, BANCO SANTANDER LEAD BIGGEST BANKS BY FINTECH INVESTMENTS

Over the past five quarters, Goldman Sachs, Citigroup and Banco Santander or their corporate venture units, have each completed 7+ deals to VC-backed fintech companies. Mitsubishi UFJ Financial Group led Asian banks with three deals over the period.

## Major Bank Investments to VC-backed Fintech Companies

Q1'15 – Q1'16



*\*Chart includes largest banks in US, Europe and Asia by AUM with disclosed fintech investments.*

Source: The Pulse of Fintech, Q1 2016, Global Analysis of Fintech Venture Funding, KPMG International and CB Insights (data provided by CB Insights) May 25th, 2016.

# NOTABLE 'REST OF WORLD' VC-BACKED FINTECH FINANCINGS: Q1'15 – Q1'16

Company	Round	Country	Select Investors
Prospera	\$60M (Series B // Q3'15)	Australia	Entrée Capital, AirTree Ventures, Ironbridge Capital, The Carlyle Group
Nubank	\$52M (Series C // Q1'16)	Brazil	Founders Fund, Kaszek Ventures, Sequoia Capital, Tiger Global
MoneyMe	\$30M (Venture // Q1'16)	Argentina	Undisclosed Investors
Nubank	\$30M (Series B // Q2'15)	Brazil	Kaszek Ventures, QED Investors, Sequoia Capital, Tiger Global Management
Invoice2go	\$15M (Series C // Q4'15)	Australia	Accel Partners, Ribbit Capital
Mercado Eletronico	\$10M (Growth Equity // Q2'15)	Brazil	DGF Investimentos
GuiaBolso	\$7M (Series B // Q3'15)	Brazil	e.Bricks Digital, Kaszek Ventures, Omidyar Network, QED Investors, Ribbit Capital, Valor Capital
Pin Payments	\$3M (Series A // Q4'15)	Australia	Vix Investments
BankFacil	\$3M (Series A // Q3'15)	Brazil	Frontier Investment Group, Redpoint e.ventures
Hepstar	\$2M (Seed VC // Q1'16)	Africa	Amadeus Capital Partners

*In Q1 2016*

# NORTH AMERICAN

*VC-backed fintech companies raised*

**\$1.8 billion**



# North American fintech investment experiencing significant shift

Both fintech deal volume and deal value rose significantly in North America during Q1'16 compared to the previous quarter, although deal value was still well under the \$2.7 billion high reached in Q3'15. The current uptick was in part a result of two \$100M+ mega-rounds: Oscar Health Insurance and Betterment.

## *Proving resilient*

In North America, a number of public fintech companies, particularly in the lending space, are struggling with share prices. While these challenges may simply reflect current market turbulence, some consolidation in the space is likely over the next 12 months.

These challenges do not seem to have affected investor appetite for funding fintechs in the pre-public world, even in lending. However, LendingClub's recent announcement of the resignation of its founder, following an inquiry into loan practices may put this resilience to the test.

## *Shifting away from payments*

The payments space has long been the mainstay of fintech investment in North America. However, this trend appears to have run its course. With companies such as Square and Stripe dominating the North America market, early-stage investors are showing less and less interest in the payments space. At the same time, marketplace lending is still seeing investor interest, with companies such as Affirm focused on partnering with merchants to improve the buying experience for consumers.

## *InsuranceTech: a slow match poised to ignite*

InsuranceTech gained significant attention in North America during the first quarter with Oscar Health Insurance's \$400 million funding

round. While insurance has been an industry ripe for disruption for as long as banking, it has taken longer for fintech companies and investors to wrap their heads around the opportunity. Part of the challenge has been that the stakes are much higher for customers.

## *Diversified investment sources*

Over the first quarter of 2016, a number of new entrants came into the fintech market, particularly in the alternative finance space. This uptick may reflect the growing diversification of investment sources. In particular, there has been increasing interest from hedge funds and family offices looking to expand their portfolio by investing in fintech companies, especially in lending platforms.

While the diversification of investment sources is positive, whether it is sustainable is another question. There has been some press around dips in performance from some lending platforms, which could affect funding sources in the future. It will be important to watch this sector over the next quarter to determine whether current investment levels are sustainable.

## *Fintech at the forefront of a digital future*

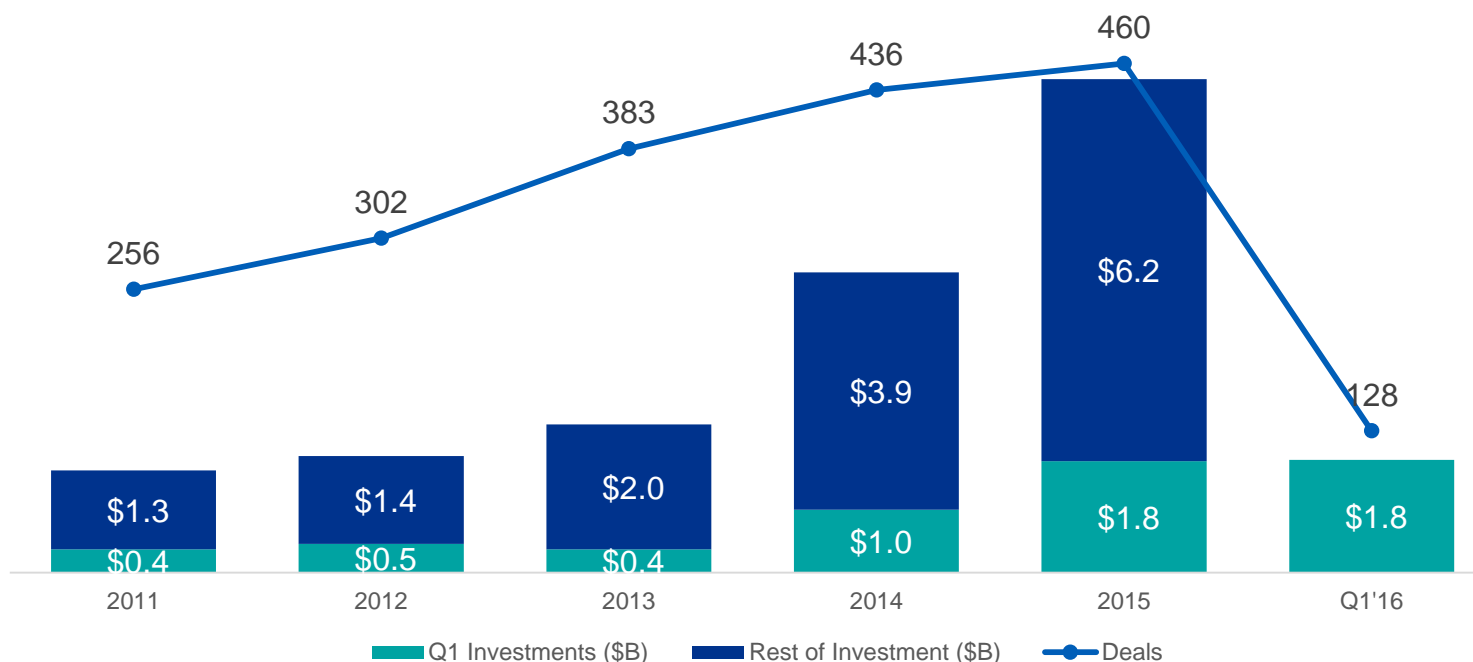
While the recent challenges faced by some publicly traded fintech companies in North America may give pause to some investors during the coming quarter, the long-term prospects for fintech in North America continues to be good. The reality is that the shift toward using technology and automation to improve efficiency, accessibility and functionality across all areas of financial services and insurance is likely permanent – a reflection of the world moving into a truly digital era.

# NORTH AMERICA: \$1.8B ACROSS 128 DEALS IN Q1'16

In North America, the \$1.8B registered to VC-backed fintech companies in Q1'16 puts 2016 on pace for a 10% funding drop at the current run rate. VC-backed fintech deal activity in 2016 is on pace to top 500 deals at the current run rate.

## North American Annual Financing Trends to VC-Backed Fintech Companies

2011 – 2016 YTD (Q1'16)



Source: The Pulse of Fintech, Q1 2016, Global Analysis of Fintech Venture Funding, KPMG International and CB Insights (data provided by CB Insights) May 25th, 2016.

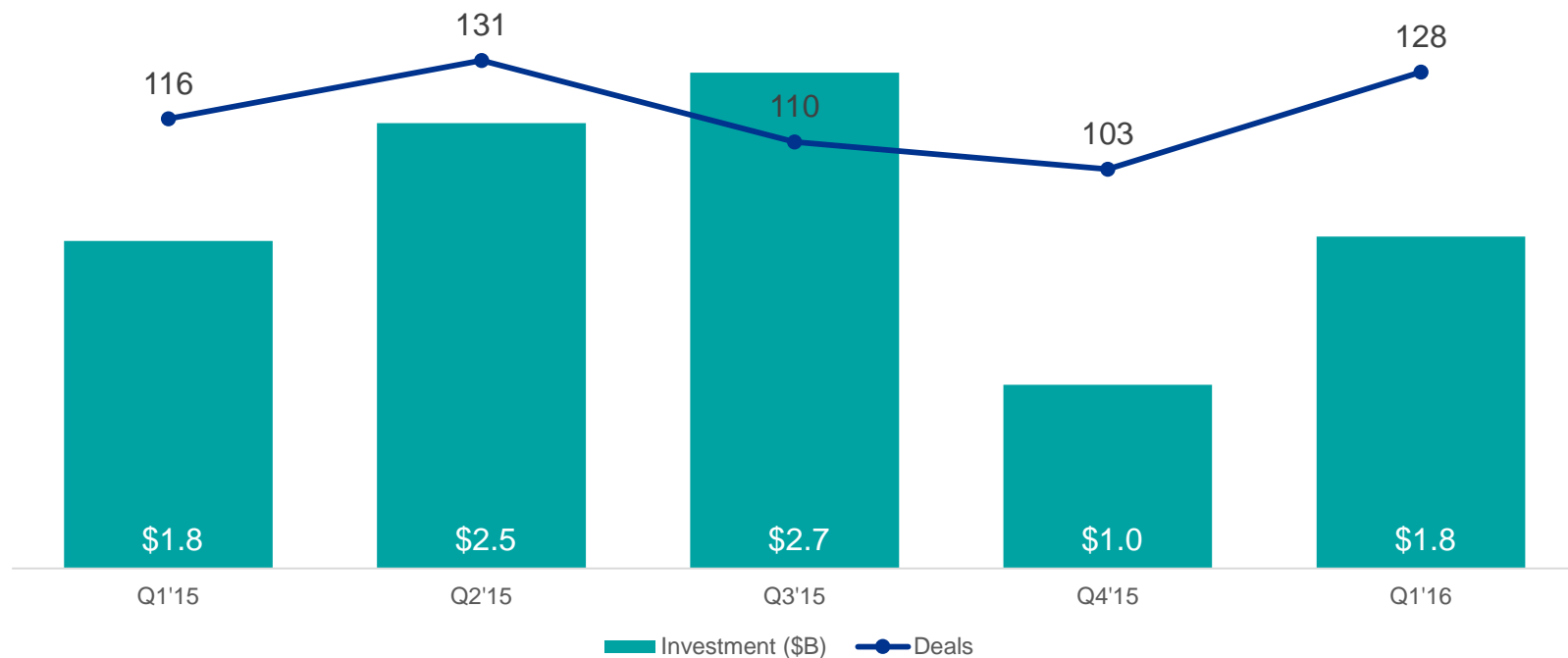


# FINTECH FUNDING, DEALS IN NORTH AMERICA BOUNCE BACK IN Q1'16

Deal activity to VC-backed North American fintech companies in Q1'16 rose 24% on a quarterly basis. Fintech funding rose 80% from Q4'15 to hit \$1.8B in Q1'16.

## North American Quarterly Financing Trends to VC-Backed Fintech Companies

Q1'15 – Q1'16

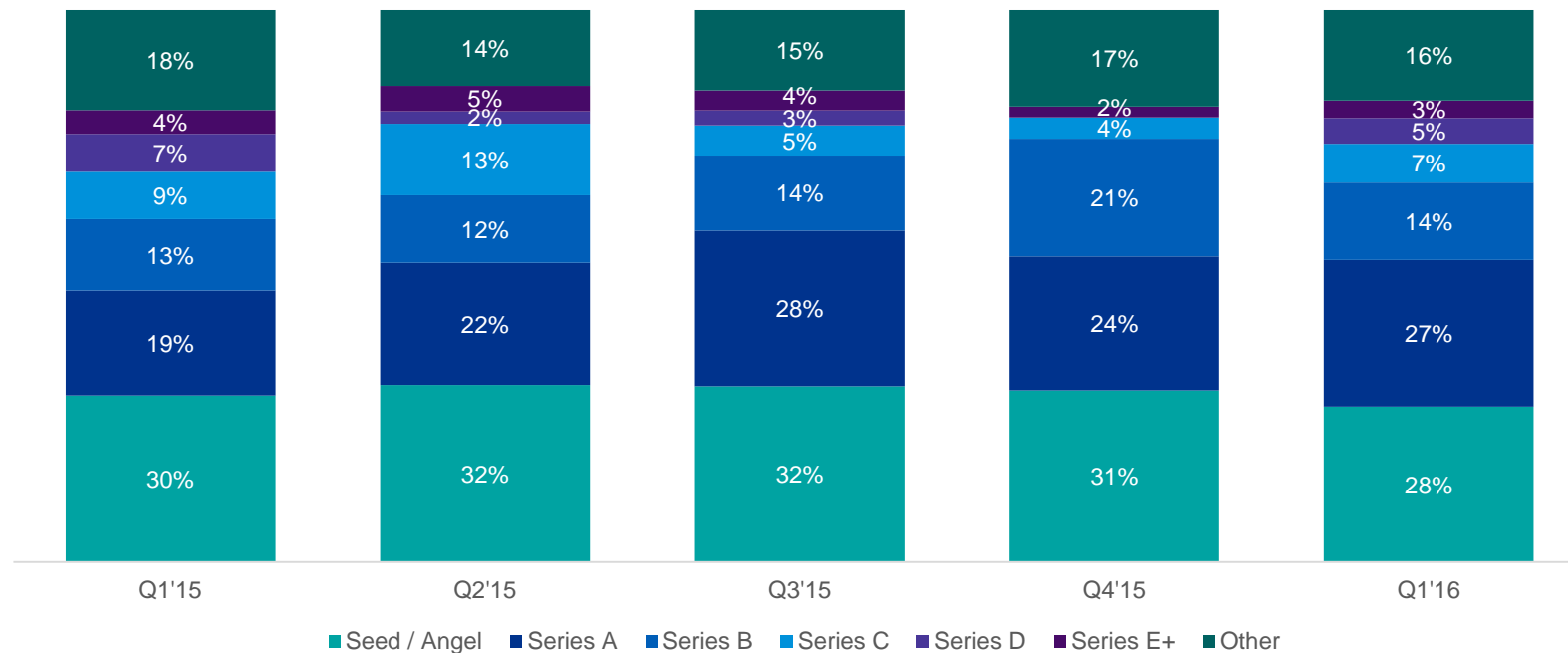


Source: The Pulse of Fintech, Q1 2016, Global Analysis of Fintech Venture Funding, KPMG International and CB Insights (data provided by CB Insights) May 25th, 2016.

# NORTH AMERICA SEED DEAL SHARE FALLS TO 5-QUARTER LOW

In Q1'16, seed activity took 28% of all fintech deals in North America, a 5-quarter low. VC-backed Series B fintech deal share fell to 14% in Q1'16 from 21% in Q4'15.

## North American Quarterly Deal Share by Stage Q1'15 – Q1'16



Source: The Pulse of Fintech, Q1 2016, Global Analysis of Fintech Venture Funding, KPMG International and CB Insights (data provided by CB Insights) May 25th, 2016.

**“The demand for alternative financial services continues to be very strong and is fueling the appetite of venture capitalists to fund private companies. It remains to be seen how the recent announcements by LendingClub and Prosper will impact that appetite and whether the balance of power switches back to more traditional financial institutions.”**



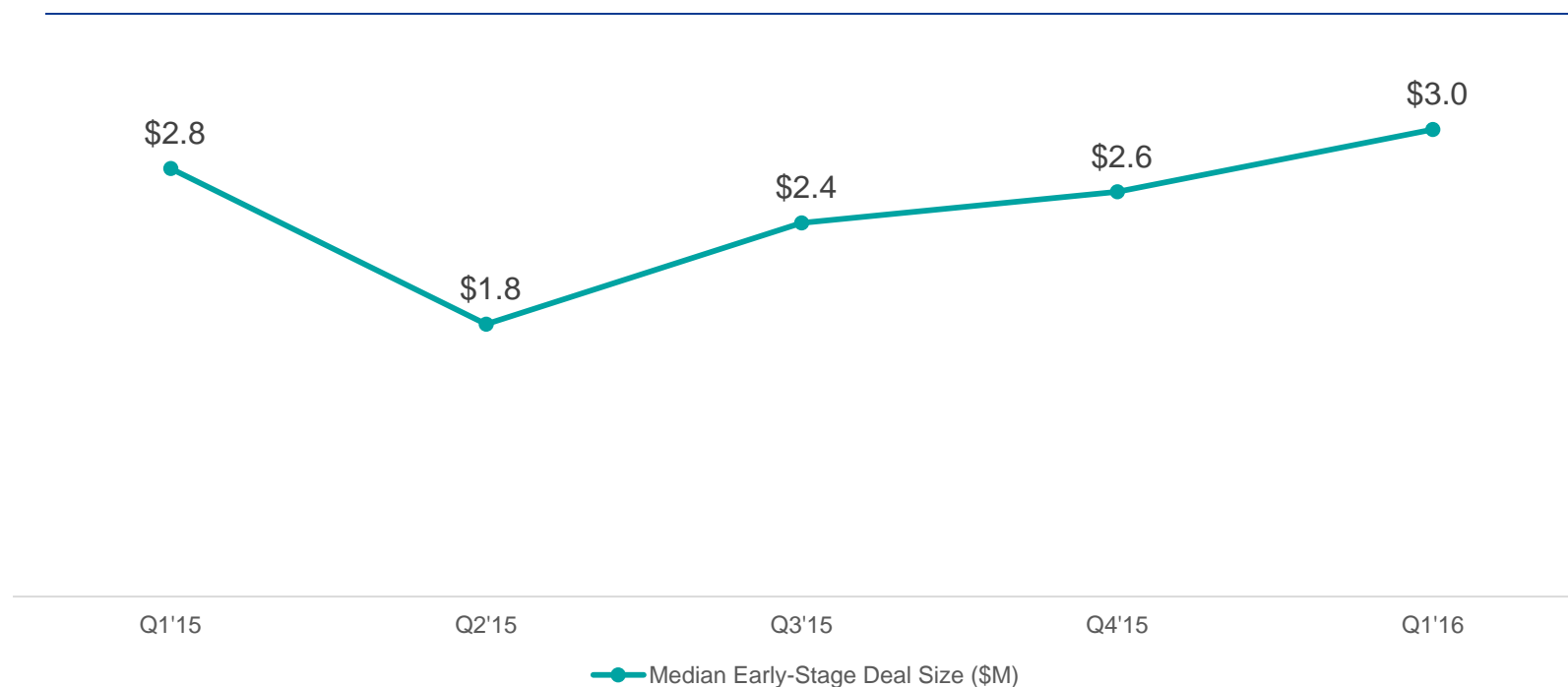
**Conor Moore**  
*National Co-Lead Partner,  
KPMG Venture Capital Practice  
KPMG in the US*

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# EARLY-STAGE FINTECH DEAL SIZES HIT 5-QUARTER HIGH

Median early-stage fintech deals were \$3.0M in Q1'16, hitting a 5-quarter high and 15% higher than Q4'15.

## North American Early-Stage Fintech Deal Size Q1'15 – Q1'16

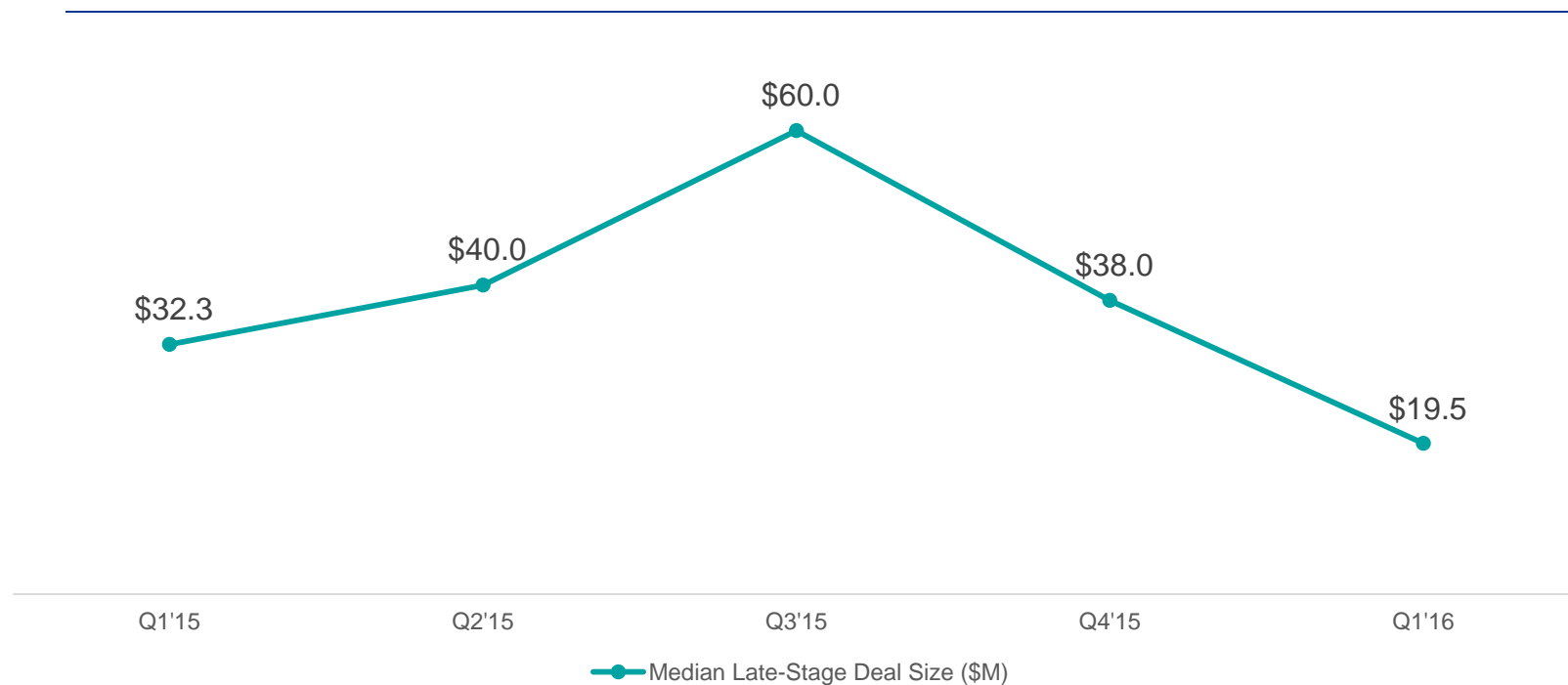


Source: The Pulse of Fintech, Q1 2016, Global Analysis of Fintech Venture Funding, KPMG International and CB Insights (data provided by CB Insights) May 25th, 2016.

# LATE-STAGE FINTECH DEAL SIZES CONTINUE TO SHRINK IN Q1'16

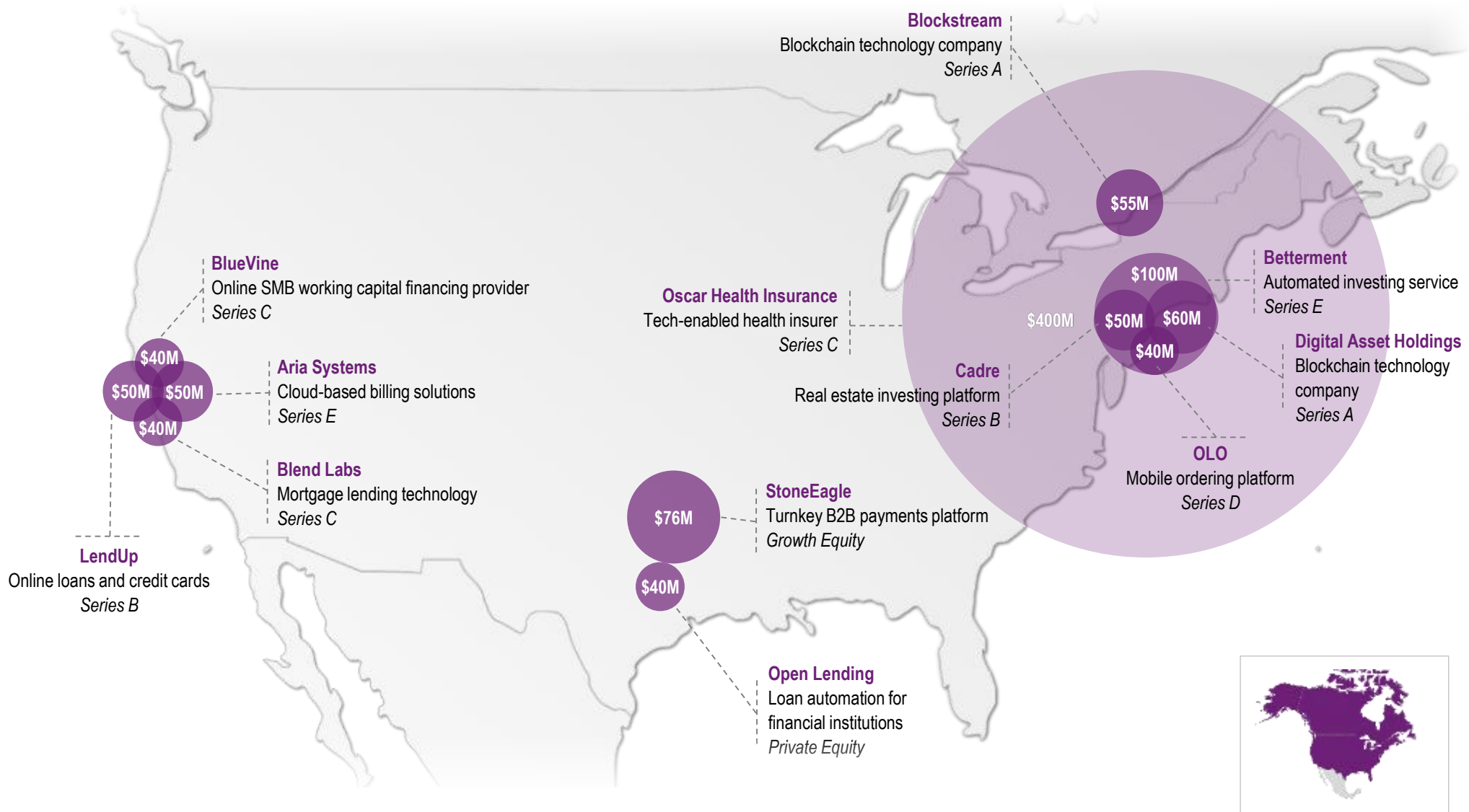
A lack of mega-rounds helped push the median late-stage fintech deal size in North America to a 5-quarter low of \$19.5M. Median late-stage deal size in Q1'16 was 68% smaller than Q3'15's high.

## North American Late-Stage Fintech Deal Size Q1'15 – Q1'16



Source: The Pulse of Fintech, Q1 2016, Global Analysis of Fintech Venture Funding, KPMG International and CB Insights (data provided by CB Insights) May 25th, 2016.

# THE LARGEST FINTECH ROUNDS OF Q1'16 TOTALED OVER \$1B — OVER 50% OF FUNDING IN NORTH AMERICA



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#FINTECH



**“When we look 5 years out, the whole blockchain metaphor is likely going to be a serious disruptor for how we’re going to think about any type of transaction – and a transaction isn’t just about money. It’s a contract between two entities.”**



**Lian Zerafa**  
*Partner,  
National Consulting Financial  
Services Industry Leader,  
KPMG in Canada*

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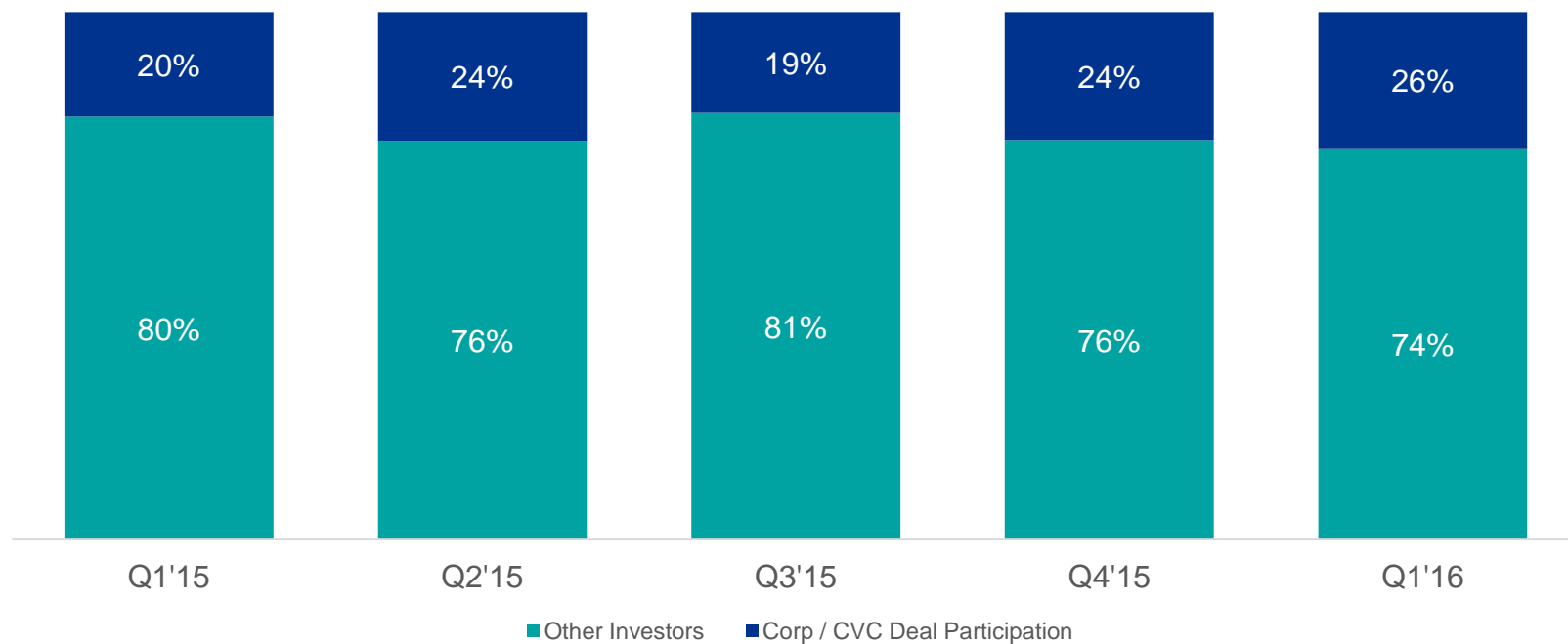


# CORPORATE DEAL SHARE OF VC-BACKED NORTH AMERICAN FINTECH RISES TO 5-QUARTER HIGH

Corporate participation in deals to North American VC-backed fintech companies rose for the second straight quarter and hit a 5-quarter high at 26%.

## CVC Participation in North American Deals to VC-Backed Fintech Companies

Q1'15 – Q1'16



Source: The Pulse of Fintech, Q1 2016, Global Analysis of Fintech Venture Funding, KPMG International and CB Insights (data provided by CB Insights) May 25th, 2016.

# THE MOST ACTIVE VC INVESTORS IN NORTH AMERICAN FINTECH

Nyca Partners, Blockchain Capital, RRE Ventures, NEA and Kleiner Perkins were the top 5 most active fintech investors in North America over the last 5-quarters by unique company investments.

## Most Active VC Investors in North American Fintech Companies Q1'15 – Q1'16

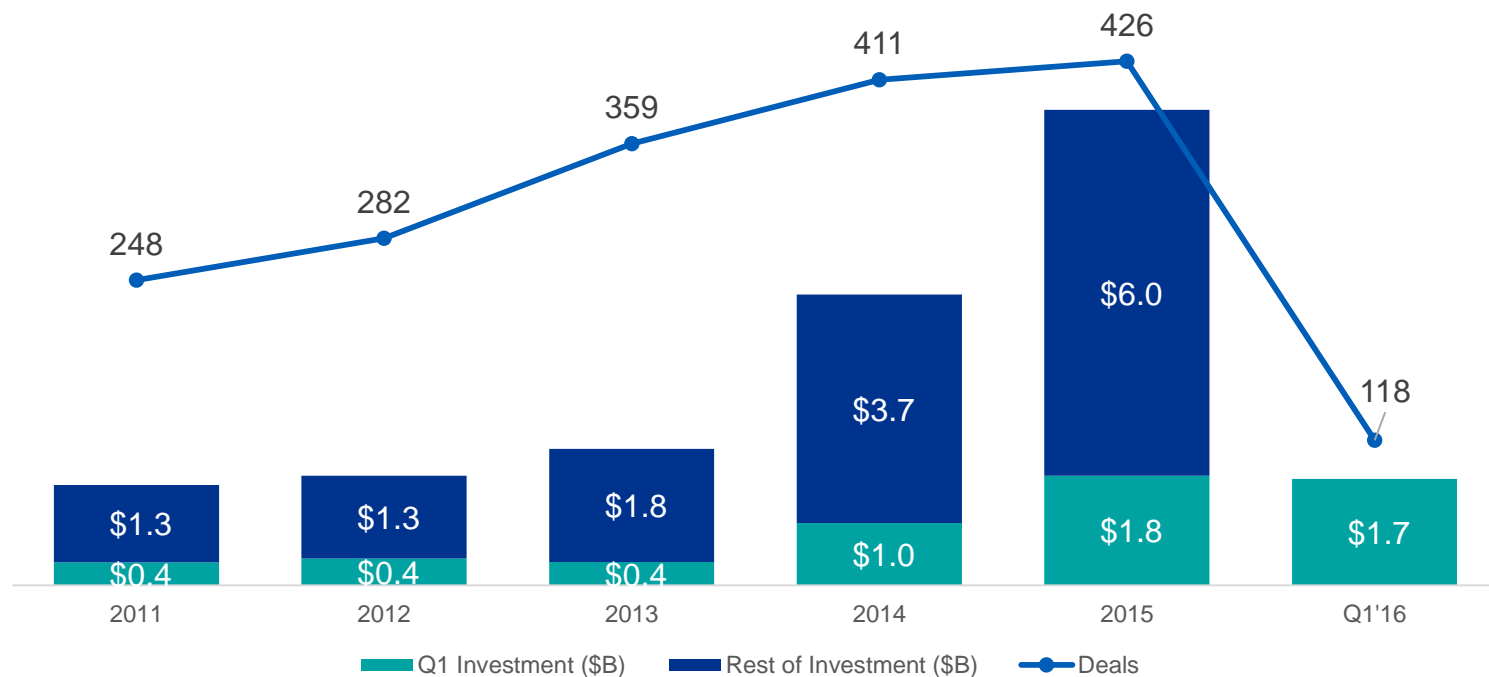
Rank	Investor	Rank	Investor
1	Nyca Partners	6	QED Investors
2	Blockchain Capital	6	Plug and Play Ventures
3	RRE Ventures	6	General Catalyst Partners
3	New Enterprise Associates	6	Sound Ventures
3	Kleiner Perkins Caufield & Byers	6	SV Angel
6	Slow Ventures	6	500 Startups

Source: The Pulse of Fintech, Q1 2016, Global Analysis of Fintech Venture Funding, KPMG International and CB Insights (data provided by CB Insights) May 25th, 2016.

# \$1.7B DEPLOYED ACROSS 118 DEALS TO US VC-BACKED FINTECH COMPANIES IN Q1'16

The 118 deals to US VC-backed fintech companies puts 2016 on pace to top 2015's deal high at the current run rate.

## US Annual Financing Trends to VC-Backed Fintech Companies 2011 – 2016 YTD (Q1'16)



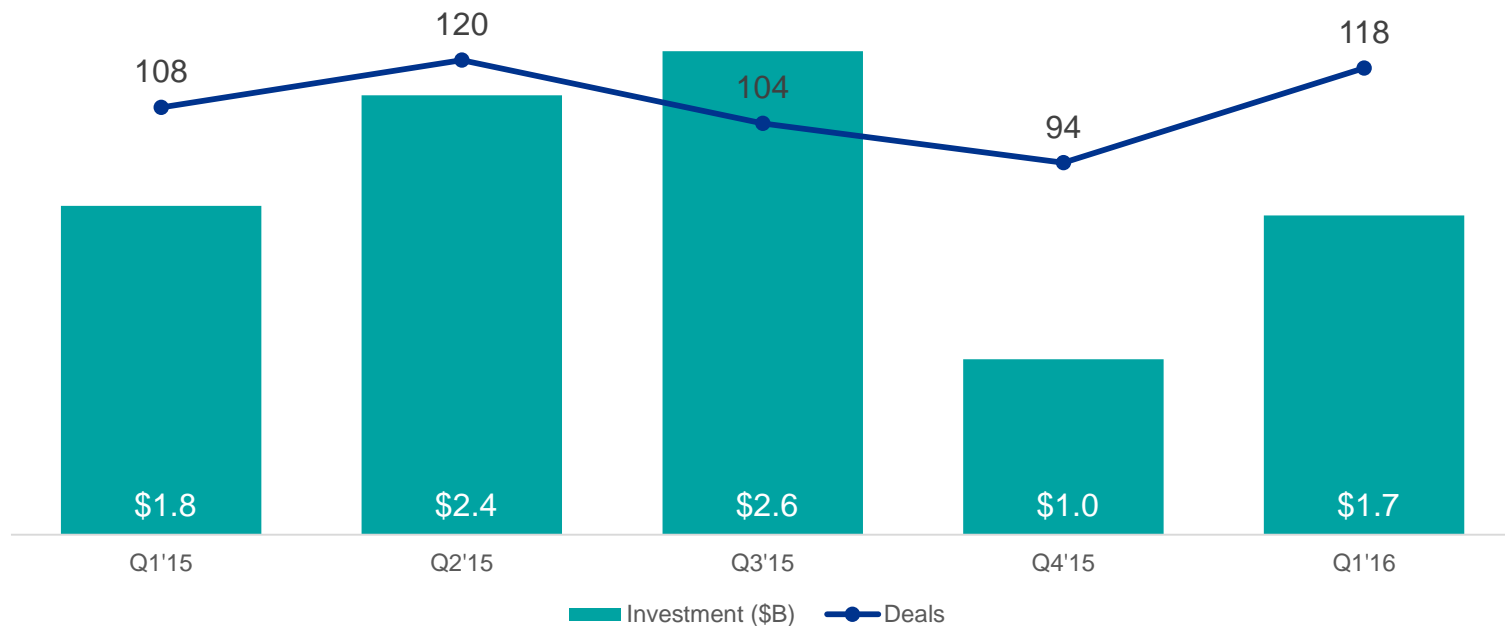
Source: The Pulse of Fintech, Q1 2016, Global Analysis of Fintech Venture Funding, KPMG International and CB Insights (data provided by CB Insights) May 25th, 2016.

# US FINTECH DEAL ACTIVITY RISES IN Q1'16 AFTER DROPPING FOR 2 CONSECUTIVE QUARTERS

US fintech startups saw funding total \$1.7B in Q1'16, an increase of 70% from Q4'15. Deal activity to VC-backed fintech companies topped 100 for the fourth time in 5-quarters in Q1'16.

## US Quarterly Financing Trends to VC-Backed Fintech Companies

Q1'15 – Q1'16

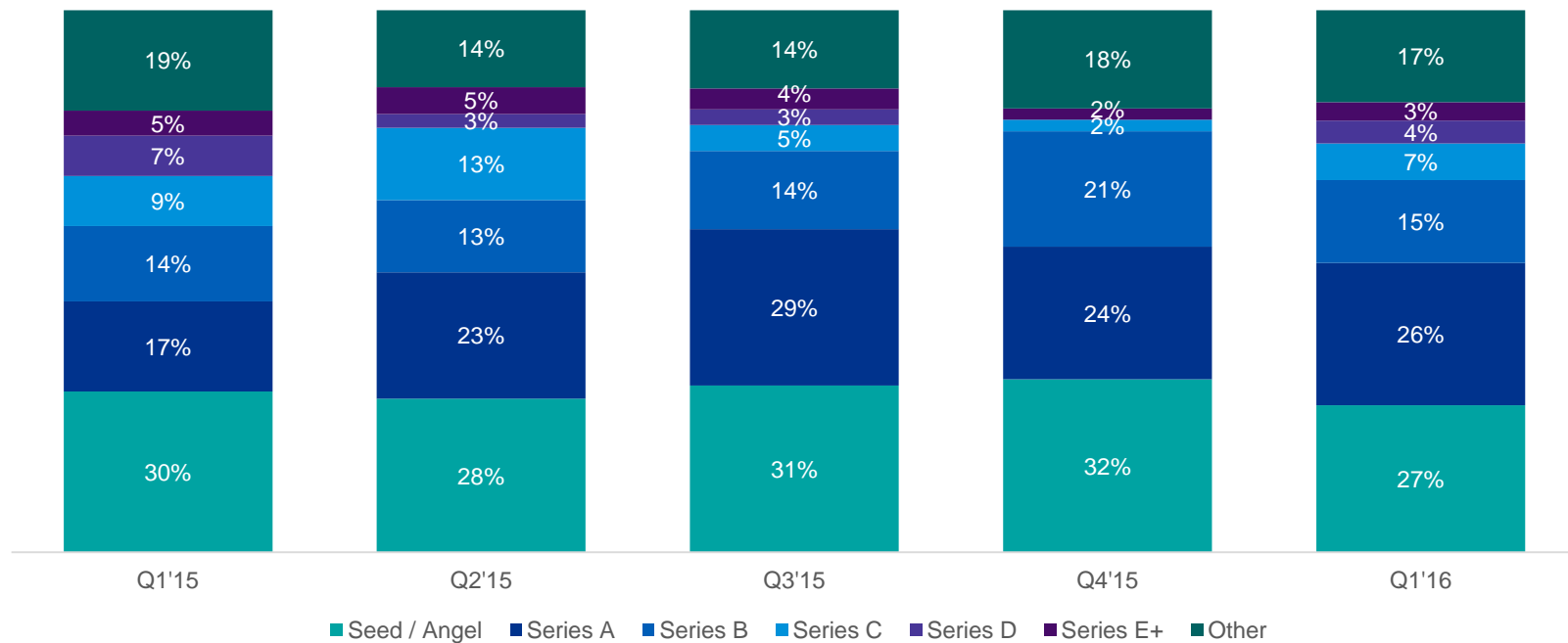


Source: The Pulse of Fintech, Q1 2016, Global Analysis of Fintech Venture Funding, KPMG International and CB Insights (data provided by CB Insights) May 25th, 2016.

# FINTECH SEED DEAL SHARE IN US FALLS TO 5-QUARTER LOW

Series B deal share fell to 15% in Q1'16 after taking over 1/5 of all US VC-backed fintech deals in Q4'15. Series C deal share rose to 7% after taking less than 5% of deals in each of the prior 2 quarters.

## Quarterly US Fintech Deal Share by Stage Q1'15 – Q1'16



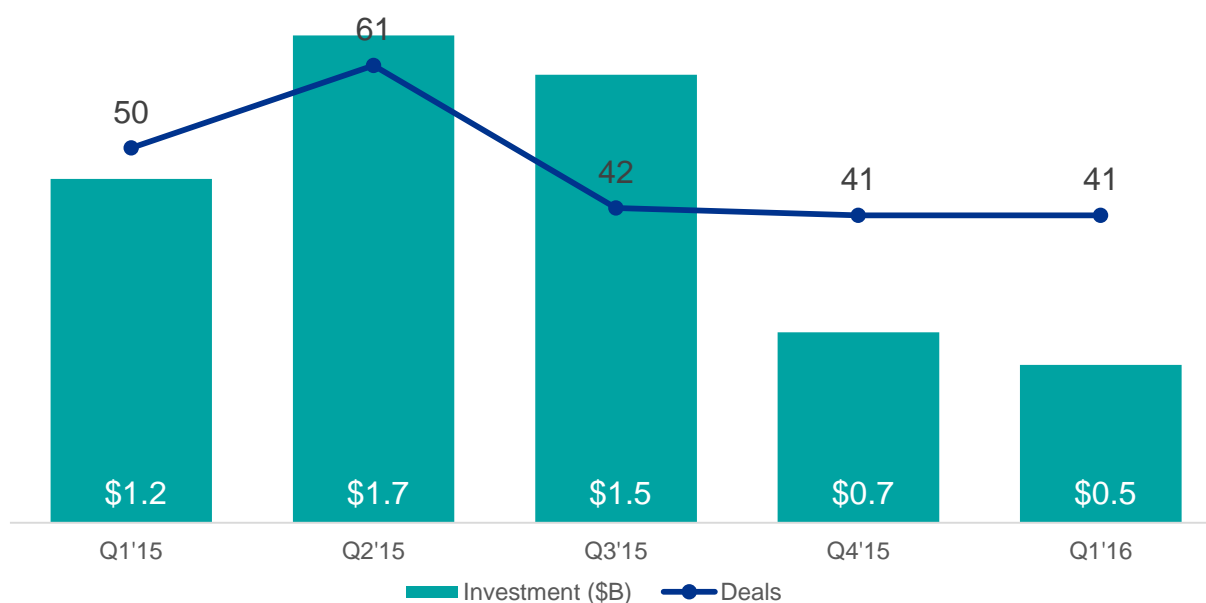
Source: The Pulse of Fintech, Q1 2016, Global Analysis of Fintech Venture Funding, KPMG International and CB Insights (data provided by CB Insights) May 25th, 2016.

# CALIFORNIA VC-BACKED FINTECH INVESTMENT ACTIVITY

## Top Deals & Cities, Q1'16

### California Fintech Investment Activity

VC-Backed Companies, Q1'15 – Q1'16



### Top Deals

#### LendUp

\$50M // Series B

#### Aria Systems

\$40M // Series E

#### Blend Labs

\$40M // Series C

### Top Cities

#### San Francisco

20 Deals // \$352.9B

#### Palo Alto

5 Deals // \$85.9M

#### Los Angeles

5 Deals // \$7.7M

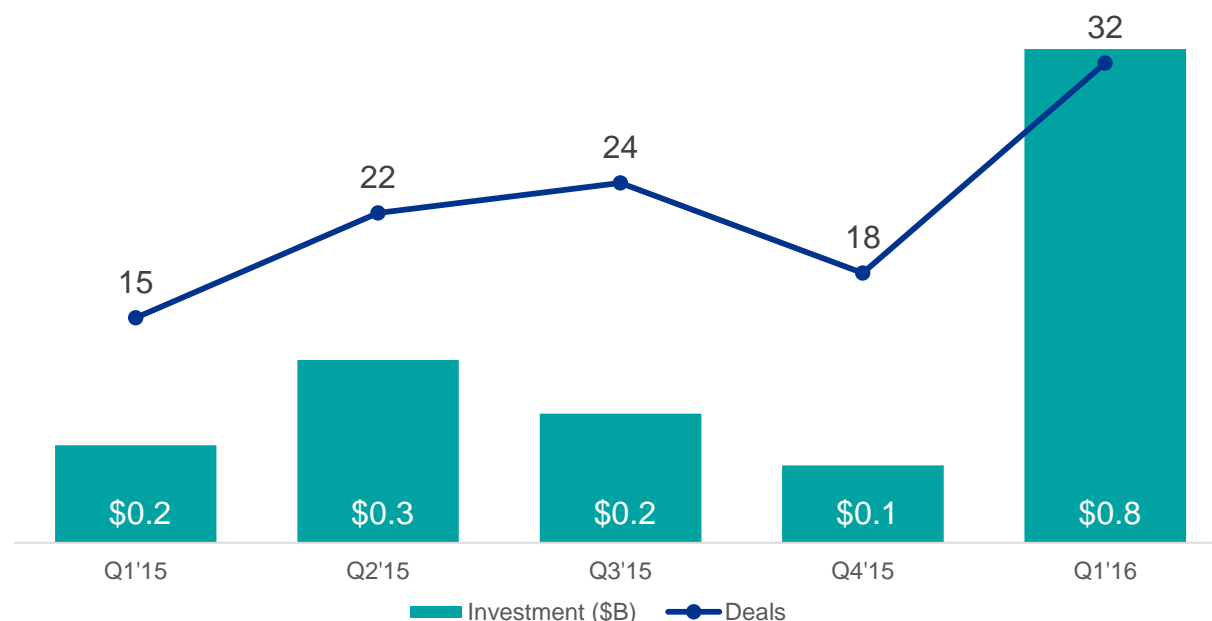
Source: The Pulse of Fintech, Q1 2016, Global Analysis of Fintech Venture Funding, KPMG International and CB Insights (data provided by CB Insights) May 25th, 2016.

# NEW YORK VC-BACKED FINTECH INVESTMENT ACTIVITY

## Top Deals & Cities, Q1'16

### New York Fintech Investment Activity

VC-Backed Companies, Q1'15 – Q1'16



### Top Deals

#### Oscar

\$400M // Series C

#### Betterment

\$100M // Series E

### Digital Asset Holdings

\$60M // Series A

### Top Cities

#### New York

31 Deals // \$831.8B

Source: The Pulse of Fintech, Q1 2016, Global Analysis of Fintech Venture Funding, KPMG International and CB Insights (data provided by CB Insights) May 25th, 2016.





*In Q1'16*

# EUROPEAN

*VC-backed fintech companies raised*

**\$348 million**

# Fintech providing diverse opportunities in Europe

The number of fintech deals rose significantly in Europe during Q1'16, reaching a 5-quarter high, representing a 27% increase over the previous quarter.

Overall, it was a fairly strong quarter given the current levels of uncertainty among European investors resulting from - low oil prices, the deceleration of growth in China, the volatility of the stock market, and the upcoming Brexit referendum. The latter, in particular, may have hindered fintech and M&A volumes to some degree in the first quarter, as investors wait to see whether the UK will leave the European Union. This uncertainty is likely to grow as the June 23, 2016 referendum nears.

## ***UK remains strong, while other European fintech hubs evolve***

While UK challenger bank Starling raised \$70 million in January 2016, there were no mega-rounds (\$100 million+) deals in Europe during the first quarter. The region's biggest deals included Spotcap (\$34.4 million) in Germany, and Future Finance Loan in Ireland (\$27.3 million).

While the UK continues to be Europe's leading fintech hub, Q1 did see growing fintech activity and investor interest throughout much of Europe. In Israel, for example, a strong entrepreneurship and innovation culture has always drawn significant VC investment. In Q1'16, there was growing investor interest in leveraging Israel's strong expertise in data analytics and business intelligence to help banks and financial institutions aggregate customer information and provide real-time insights. This fintech focus on analytics is quite different than any of the other fintech hubs cropping in Europe.

## ***Shifting investment priorities***

Investment in digital banks and non-bank lenders was hot in Europe during Q1'16, partly fueled by the EU Payment Services Directive II

(PSD2) and the opening up of data access in Europe. Concurrently, however, investors have become less interested in peer-to-peer and marketplace lending models given current market saturation and concerns about possible platform failures. While larger peer-to-peer platforms will likely continue to attract investment, smaller lenders may find it difficult.

InsuranceTech is also gaining interest among European investors. While the insurance industry has typically been slow to innovate, recently some insurers have become very active on the investment side – looking for solutions that can help them improve efficiencies, lower customer acquisition costs and make it easier for customers to compare offerings online. This growing interest is expected to fuel InsuranceTech investments over the next few quarters.

## ***UK becoming a global RegTech leader***

European investors are beginning to take note of RegTech (also known as RiskTech) a sub-sector of fintech focused on technologies that can help organizations address risk and regulatory issues. Many European financial institutions want to drive down costs associated with risk management and compliance monitoring and are on the hunt for technologies to assist with this rationalization. As a result, this area is likely to see massive growth moving forward.

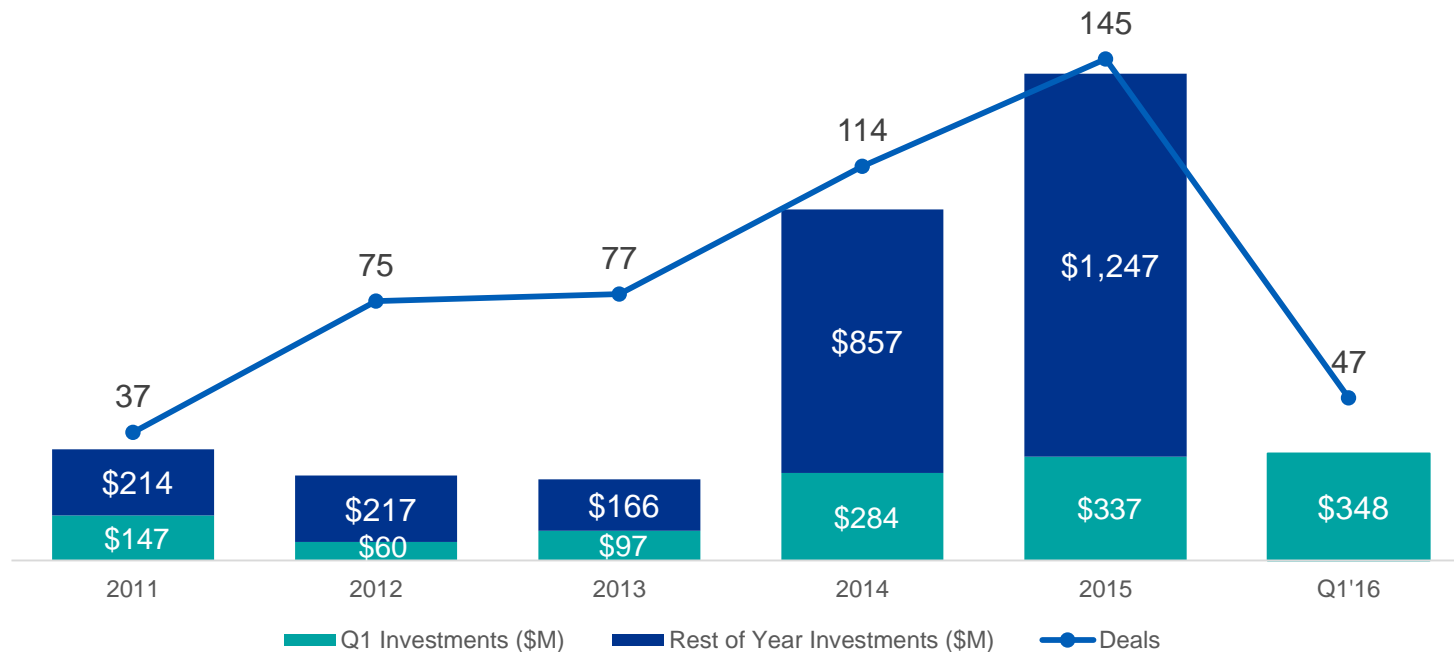
The UK is taking a leadership role in fostering RegTech growth in Europe and around the world. As a part of this, the UK's Financial Conduct Authority recently opened a regulatory sandbox in May 2016, which should allow businesses to test innovative services, products and business models aimed at enhancing customer outcomes while mitigating regulatory and reputational risks. Other countries may be following the UK's activities closely, with Australia and Singapore, in particular, possibly considering to follow suit with regulatory sandboxes of their own.



# VC-BACKED EUROPEAN FINTECH DEALS ON PACE FOR NEW HIGH

VC-backed fintech companies in Europe raised \$348M in funding across 47 deals in Q1'16. At the current run rate, European fintech funding is on pace to fall from 2015's five-year high.

## European Annual Financing Trends to VC-Backed Fintech Companies 2011 – 2016 YTD (Q1'16)

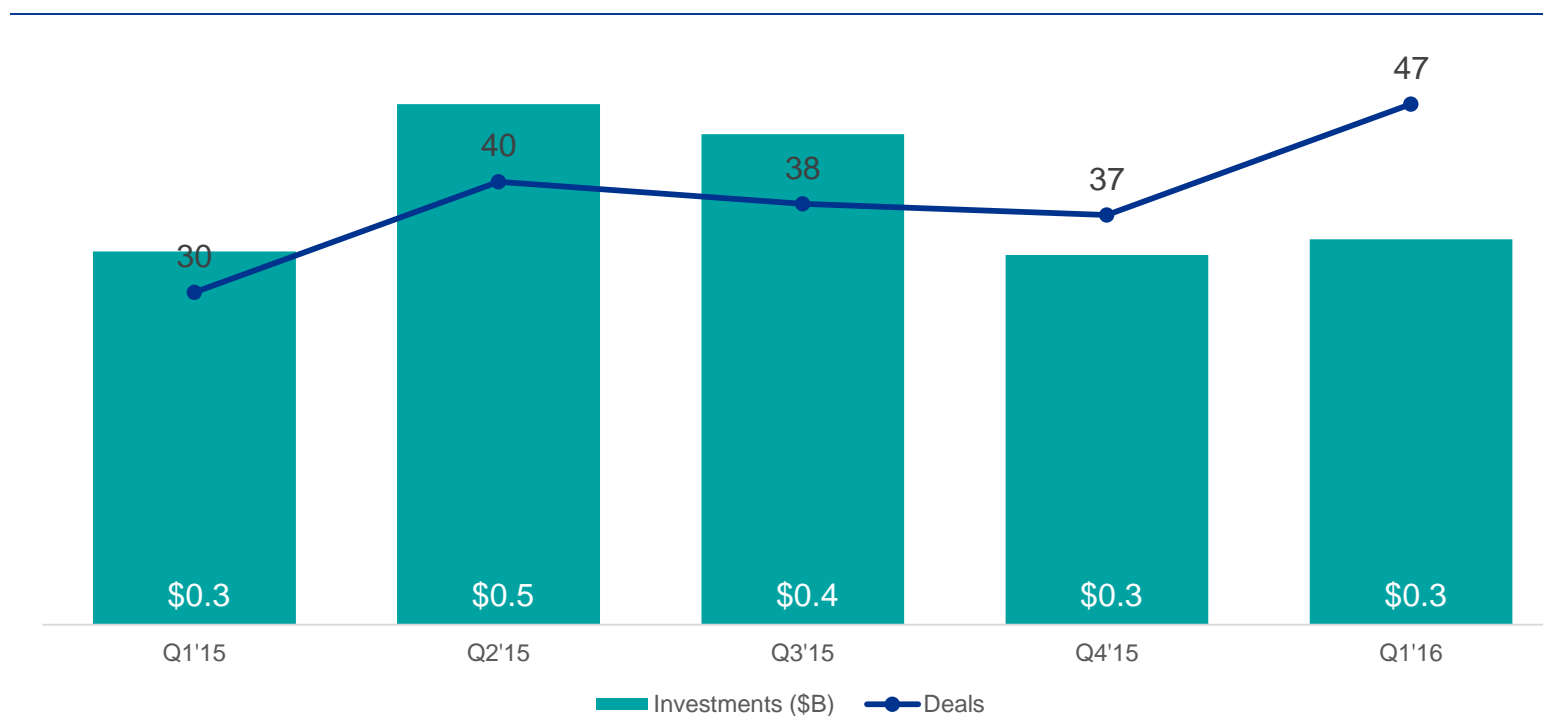


Source: The Pulse of Fintech, Q1 2016, Global Analysis of Fintech Venture Funding, KPMG International and CB Insights (data provided by CB Insights) May 25th, 2016.

# FINTECH DEALS IN EUROPE HIT 5-QUARTER HIGH

Q1'16 saw fintech funding remain level with Q4'15. Fintech deal activity in Europe rose 27% on a quarterly basis to hit a 5-quarter high in Q1'16.

## European Quarterly Financing Trends to VC-Backed Fintech Companies Q1'15 – Q1'16

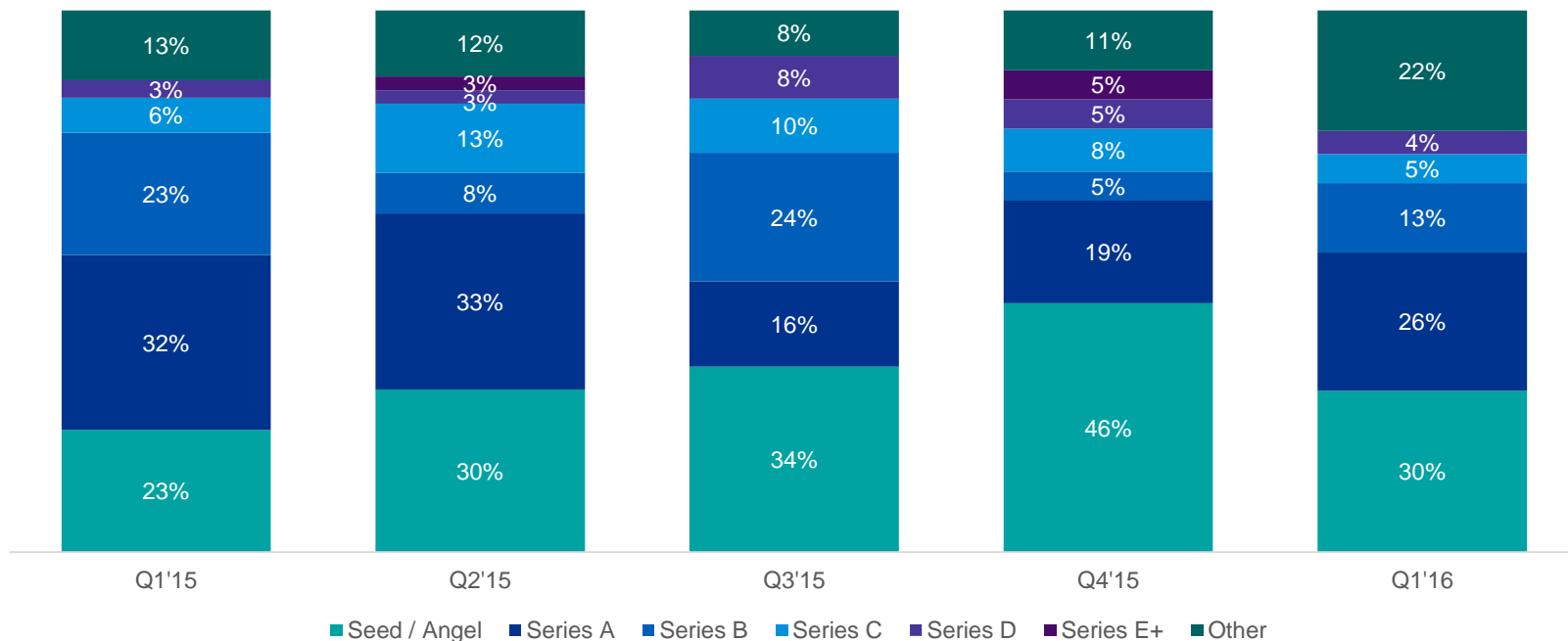


Source: The Pulse of Fintech, Q1 2016, Global Analysis of Fintech Venture Funding, KPMG International and CB Insights (data provided by CB Insights) May 25th, 2016.

# EUROPEAN FINTECH SEED DEAL SHARE DROPS IN Q1'16 AS SERIES A RISES

Seed deal share in European fintech companies fell to 30% in Q1'16 after hitting 46% in Q4'15. Series A deal share rose for the second consecutive quarter to take over 1/5 of all European fintech deals in Q1'16.

## European Quarterly Deal Share by Stage Q1'15 – Q1'16



Source: The Pulse of Fintech, Q1 2016, Global Analysis of Fintech Venture Funding, KPMG International and CB Insights (data provided by CB Insights) May 25th, 2016.

**“European fintech investment increased in Q1, despite strong headwinds in the form of economic uncertainty, the potential Brexit and stock market volatility. This is a true testament to the underlying level of demand for innovation in financial services.”**



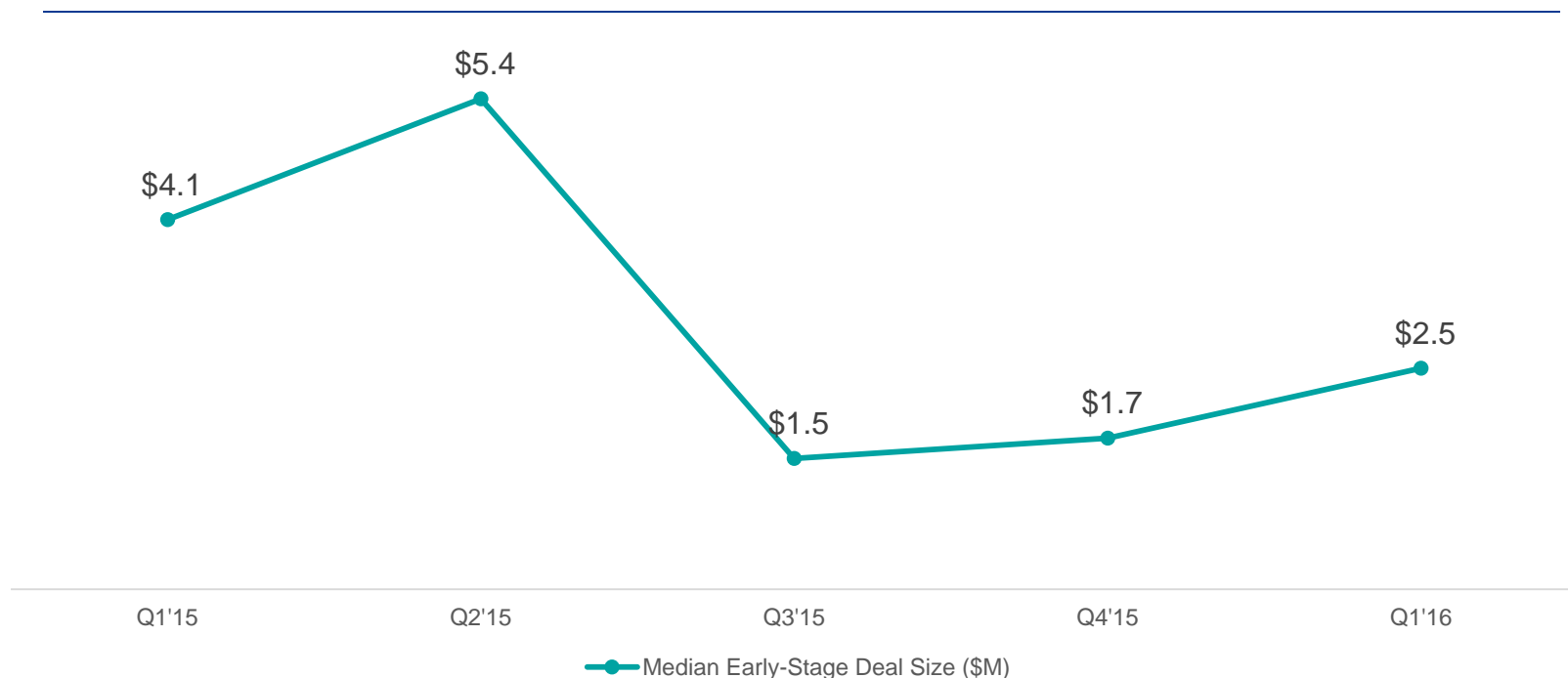
**Dorel Blitz**  
*Head of Fintech,  
KPMG in Israel*

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# MEDIAN EUROPEAN EARLY-STAGE FINTECH DEAL SIZE RISES SLIGHTLY IN Q1'16

Early-stage median deal size in Europe rose above \$2M for the first time in 3 quarters since a spate of Series As pushed Q2'15's median past \$5M.

## European Early-Stage Fintech Deal Size Q1'15 – Q1'16

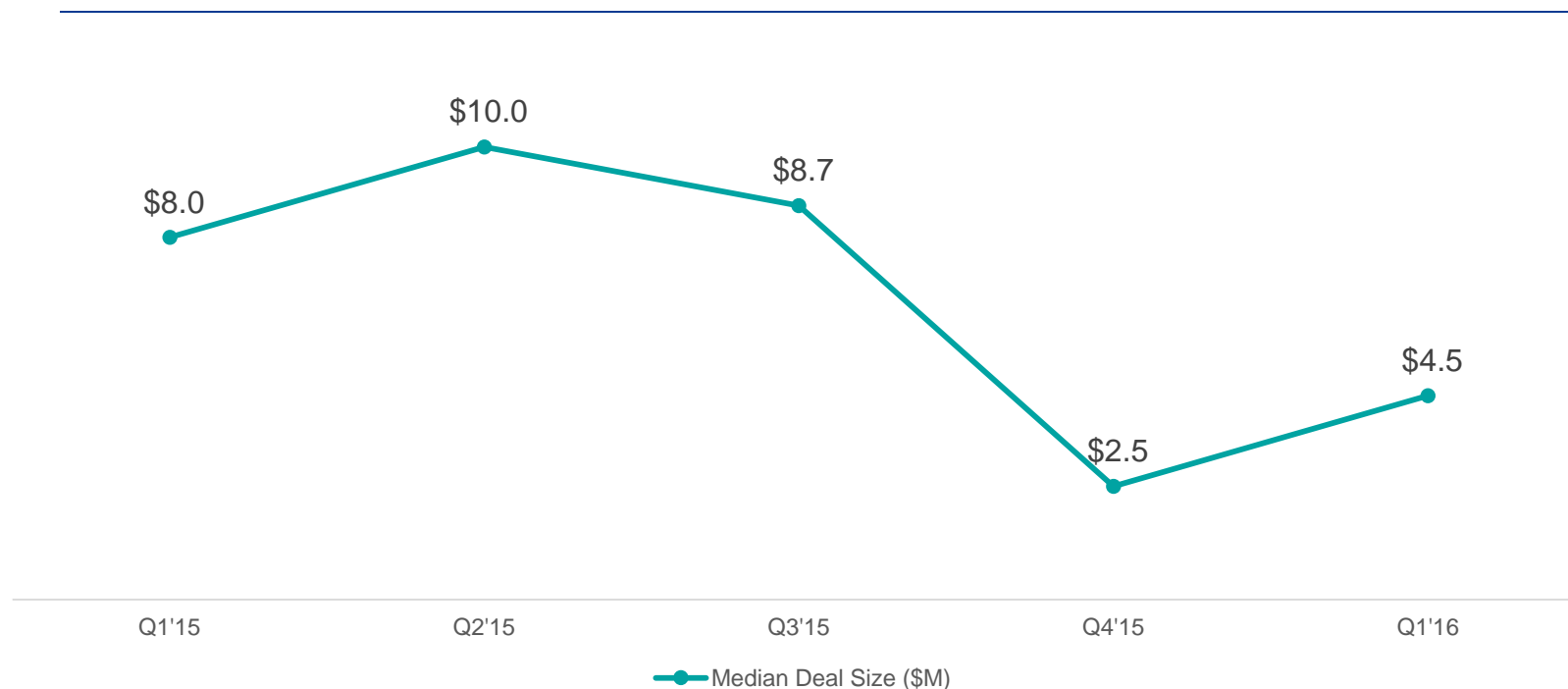


Source: The Pulse of Fintech, Q1 2016, Global Analysis of Fintech Venture Funding, KPMG International and CB Insights (data provided by CB Insights) May 25th, 2016.

# EUROPE OVERALL DEAL SIZES REBOUND FROM Q4'15 DROP

Median overall fintech deal sizes in Europe fell to just \$2.5M in Q4'15, after topping \$8M for three straight quarters. Q1'16 saw median overall fintech deal size rise to \$4.5M.

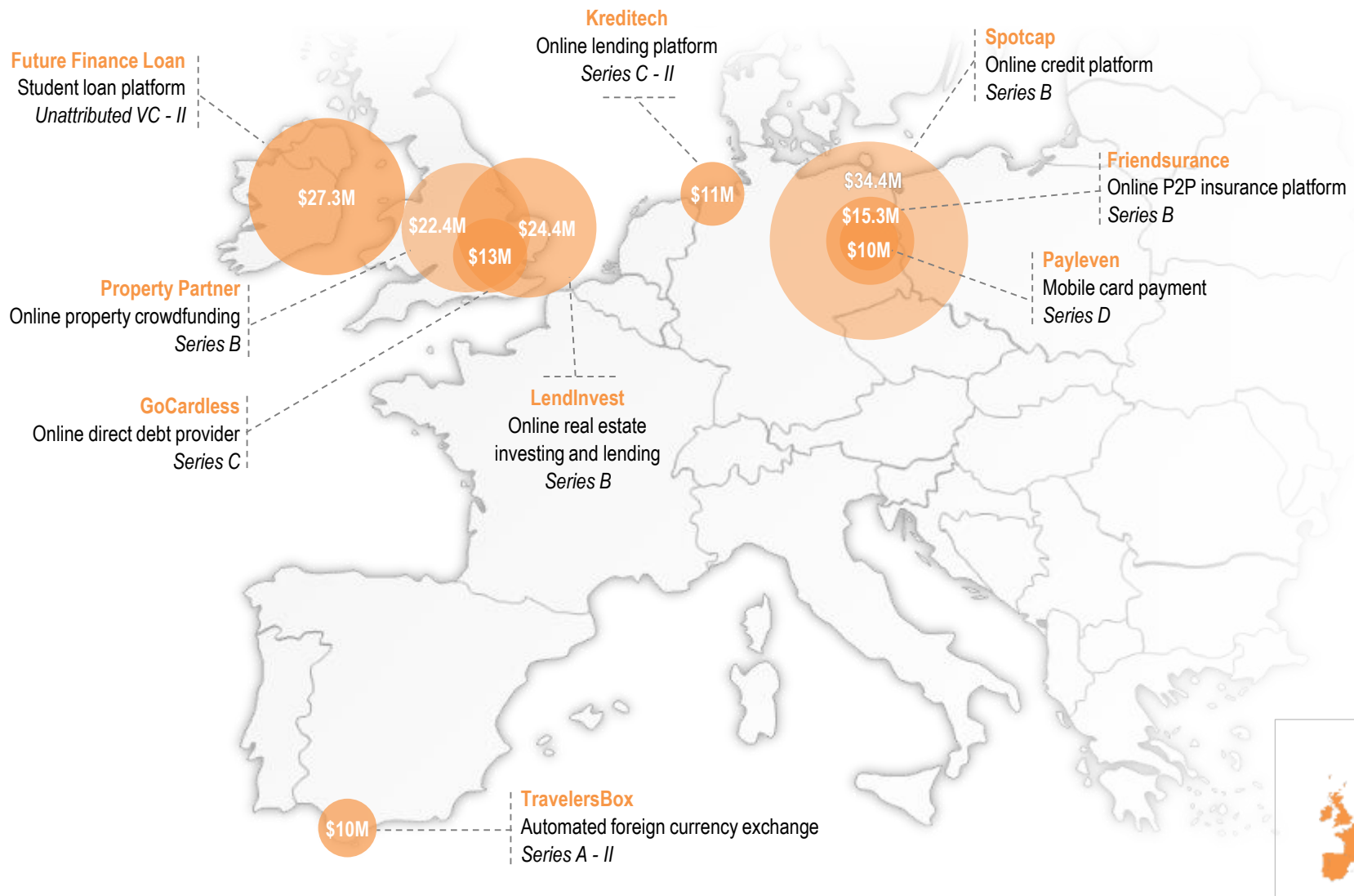
## European Overall Fintech Deal Size Q1'15 – Q1'16



Source: The Pulse of Fintech, Q1 2016, Global Analysis of Fintech Venture Funding, KPMG International and CB Insights (data provided by CB Insights) May 25th, 2016.



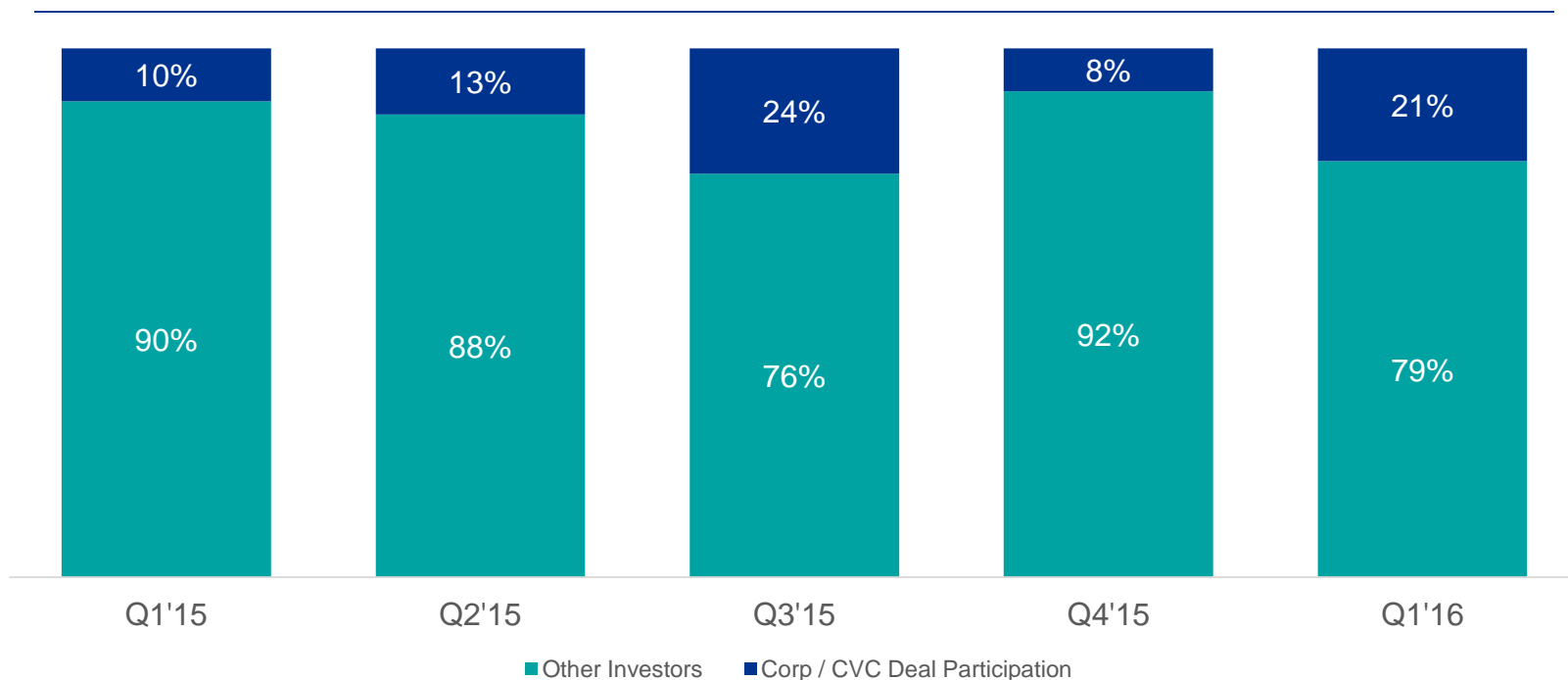
# THE 9 LARGEST EUROPEAN FINTECH ROUNDS OF Q1'16 REPRESENTED OVER \$165M IN FUNDING



# CORPORATE PARTICIPATION IN EUROPEAN FINTECH DEALS RISES TO TAKE 1 OF EVERY 5 DEALS IN Q1'16

Corporate participation in the number of European fintech deals rose to 21% in Q1'16 from just 8% in Q4'15.

## CVC Participation in European Deals to VC-Backed Fintech Companies Q1'15 – Q1'16



Source: The Pulse of Fintech, Q1 2016, Global Analysis of Fintech Venture Funding, KPMG International and CB Insights (data provided by CB Insights) May 25th, 2016.

# THE MOST ACTIVE EUROPEAN FINTECH INVESTORS

Route66 Ventures, London Co-Investment Fund and Holtzbrinck Ventures were the most active VCs in European fintech over the last 5 quarters.

## Most Active VC Investors in European Fintech Companies Q1'15 – Q1'16

Rank	Investor	Rank	Investor
1	Route 66 Ventures	4	CommerzVenturs
1	London Co-Investment Fund	4	Notion Capital
3	Holtzbrinck Ventures	4	German Startups Group
4	Octopus Ventures	4	QED Investors
4	Balderton Capital	4	High-Tech Gruenderfonds
4	Acton Capital Partners	4	SpeedInvest

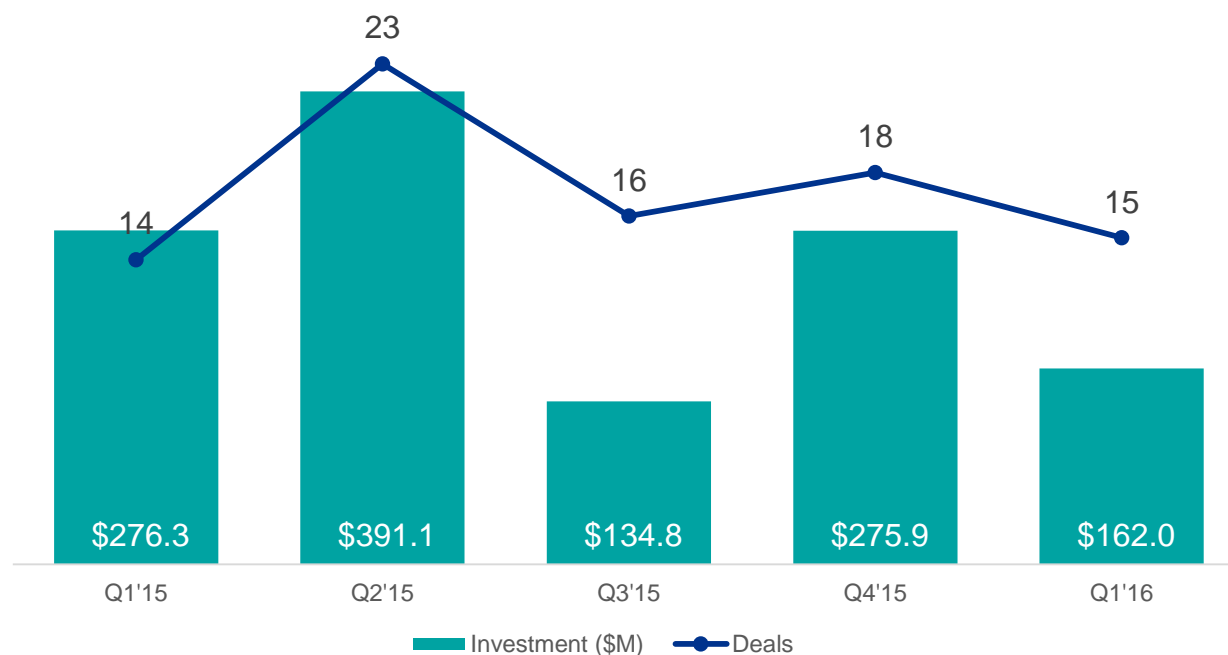
Source: The Pulse of Fintech, Q1 2016, Global Analysis of Fintech Venture Funding, KPMG International and CB Insights (data provided by CB Insights) May 25th, 2016.

# UK VC-BACKED FINTECH INVESTMENT ACTIVITY

Top Deals & Cities, Q1'16

## UK Fintech Investment Activity

VC-Backed Companies, Q1'15 – Q1'16



## Top Deals

**Ezbob**

\$28.7M // Series C

**LendInvest**

\$24.4M // Series B

## Top Cities

**London**

14 Deals // \$162M

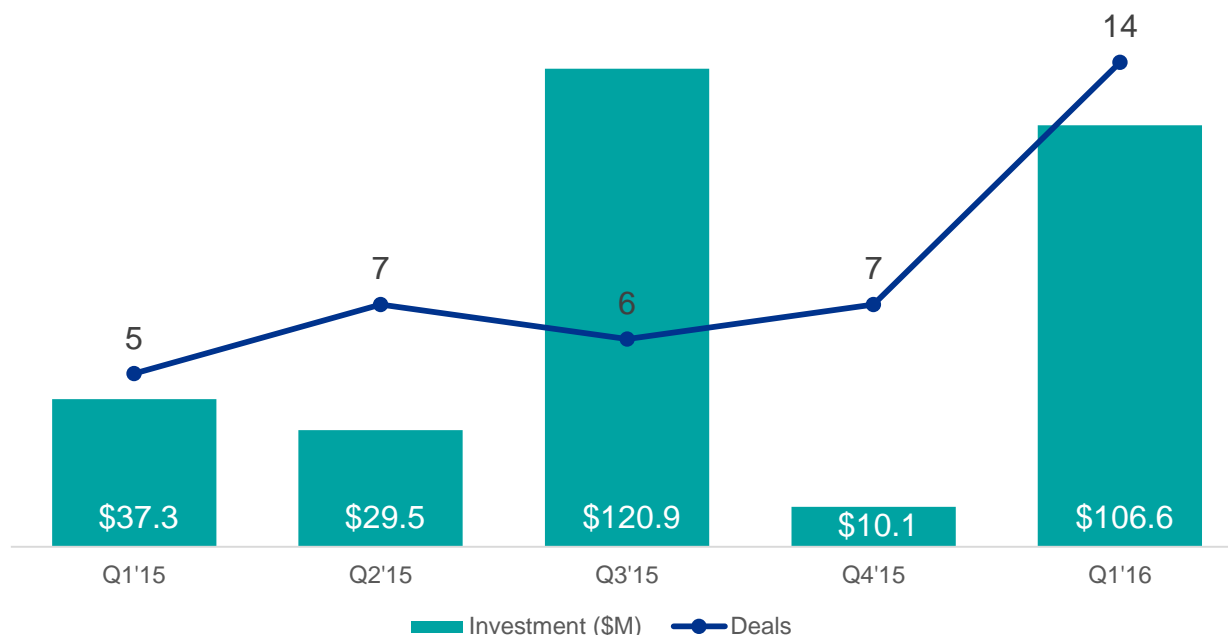
Source: The Pulse of Fintech, Q1 2016, Global Analysis of Fintech Venture Funding, KPMG International and CB Insights (data provided by CB Insights) May 25th, 2016.

# GERMANY VC-BACKED FINTECH INVESTMENT ACTIVITY

## Top Deals & Cities, Q1'16

### Germany Fintech Investment Activity

VC-Backed Companies, Q1'15 – Q1'16



### Top Deals

#### Spotcap

\$34.4M // Series B

#### Friendsurance

\$15.3M // Series B

#### Kreditech

\$11M // Series C

### Top Cities

#### Berlin

9 Deals // \$75.0M

#### Hamburg

2 Deals // \$12.1M

Source: The Pulse of Fintech, Q1 2016, Global Analysis of Fintech Venture Funding, KPMG International and CB Insights (data provided by CB Insights) May 25th, 2016.

**“As we move toward 2018, [we] hope to see an acceleration of investment into European fintech companies. With increased standardization of the regulatory environment and a much more open platform for competition, hopefully European companies will attract more investment dollars and drive growth.”**



**Anna Scally**

*Partner, Head of Technology, Media and Telecommunications, and Fintech Leader, KPMG in Ireland*

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*In QT'16*

# ASIAN

*VC-backed fintech companies raised*  
**\$2.6 billion**

# Asia-based fintech investment swells to new high

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Following a drop off in Q4'15, fintech investment in Asia rebounded to a new high in Q1'16 – reaching \$2.6 billion. The quarter's success is primarily a result of two \$1 billion+ funding rounds to China-based companies Lu.com and JD finance.

While China continues to drive the vast majority of fintech investment in Asia, other countries are working to expand their own fintech hubs, including Hong Kong, Singapore, India and Australia in the Asia Pacific region. Given the enormous demand for fintech in the region, it would not be surprising to see these hubs attract more investor attention in the coming quarters.

## ***Strong corporate participation continues to fuel fintech growth***

Corporate interest in fintech continues to be strong in Asia, driven primarily by banking institutions that have already made fintech investments, whether through acquisition of fintech companies, partnerships or by setting up innovation programs.

Asia-based banks appear to prefer the accelerator model, with new programs being introduced regularly, including Standard Chartered Bank's SuperCharger Fintech Accelerator Programme in Hong Kong, Commonwealth Bank's CommBank Innovation Lab in Hong Kong and the DBS and AIA Accelerators in Singapore. While each bank-sponsored accelerator program has its own focus, there are indications that 'accelerator fatigue' is starting to set in. As a result, some consolidation may occur over the near-term.

Some Asian banks have been slow to innovate due to the need to create more agile back-end systems. In Singapore, the regulator MAS is encouraging banks to build an open API model on top of their core banking solution to help with this challenge. Should this happen, more banks could forge direct partnerships with fintech companies due to the easier integration of startup technologies using the open API model.

## ***Entrepreneurs and investors looking outward***

Fintech companies in Asia are becoming more focused on opportunities outside their home markets. This trend reflects the recognition that investors are increasingly looking for companies with regional or global expansion potential. Many fintech companies have been established within the regulatory framework of their home country and so may not be easily scalable to others. Investors recognize this and are seeking out fintech companies with scalable cross-border offerings or those that can easily replicate their models in different countries.

## ***Fintech investment and support, growing in Southeast Asia***

In Southeast Asia, marketplace lending platforms continue to attract investment attention, primarily for their ability to provide financing for small businesses and to address the needs of the underbanked or unbanked in the region. Regional governments are also looking to support fintech innovators and investors. For example, the Monetary Authority of Singapore (MAS) recently launched a National Research Foundation Fintech Office as a 'one stop virtual entity to support all fintech investment in Singapore. This office is part of the government's \$19 billion Research Innovate Enterprise 2020 Plan to foster innovation.



# Asia-based fintech investment swells to new high (cont.)

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## ***Australia and Singapore poised to follow UK Sandbox lead***

The UK recently launched a regulatory sandbox in order to allow companies to test innovative concepts with lower risk. Australia and Singapore are both watching the UK's experience with interest, planning to use similar models within their own jurisdictions to catalyze sector growth. In Australia, the government has just announced a regulatory sandbox in the Federal Budget and while it does not yet exist, the Australian regulator is in process of consulting on its creation.

## ***Future growth assured with \$4.5 billion Ant Financial funding round***

While this report focuses on Q1'16 fintech investment, it is impossible not to mention the massive funding round already announced in Q2'16. An early quarter funding round of \$4.5 billion by Ant Financial in China closed in April, making it the largest single private funding round to a fintech company. This deal showcases the enormous potential and momentum for fintech in Asia. While this round may prove to be a significant outlier – the breadth of offerings and subsectors taking root across Asia suggests that substantial fintech investment in the region is expected for the foreseeable future.

**“Asian banks are increasing their investment and experimentation with fintech - this is going beyond the traditional accelerators into more long term results driven mechanisms, rather than marketing led publicity campaigns.”**



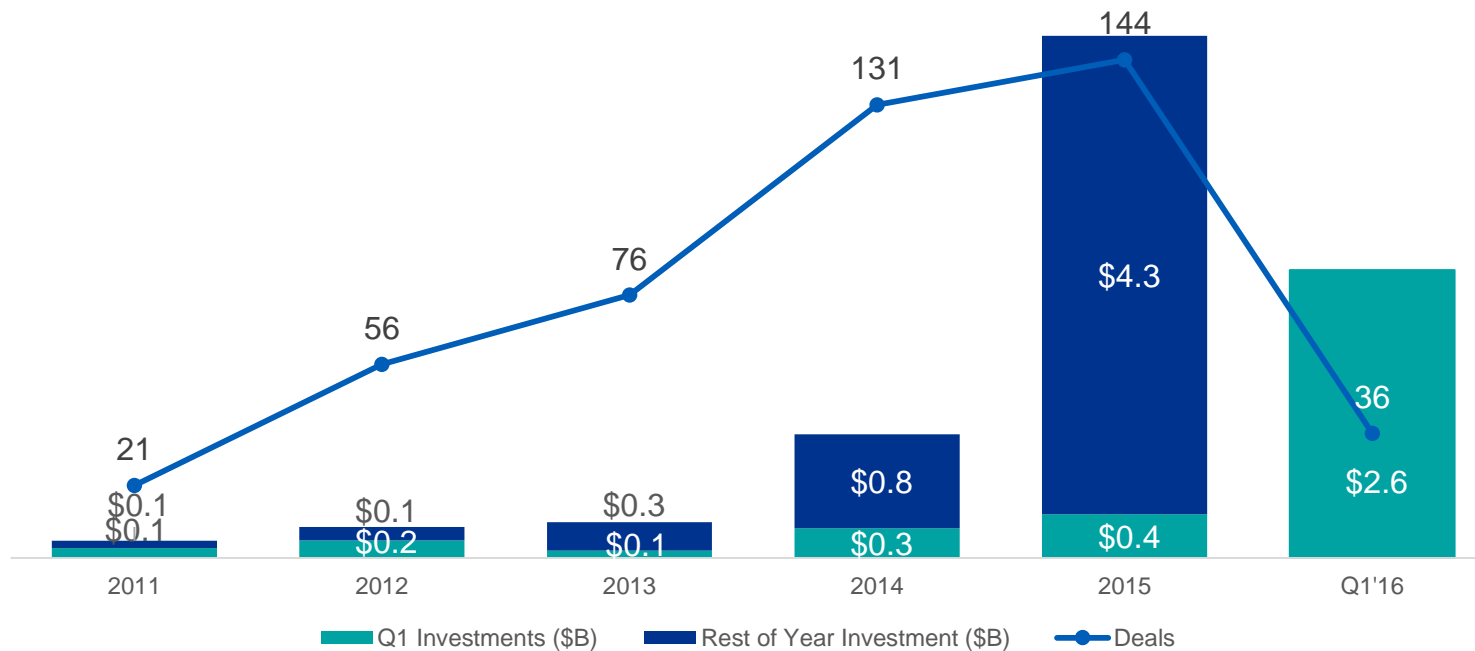
**James McKeogh**  
*Partner, Management  
Consulting, KPMG in  
Hong Kong*

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# ASIA: Q1'16 SEES FINTECH FUNDING SPIKE TO \$2.6B ACROSS 36 DEALS

Funding to VC-backed fintech companies in Asia jumped on the back of mega-rounds to JD Finance and Lu.com. At the current run rate, Asia fintech deal activity is on pace to match 2015's high.

## Asian Annual Financing Trends to VC-Backed Companies 2011 – 2016 YTD (Q1'16)

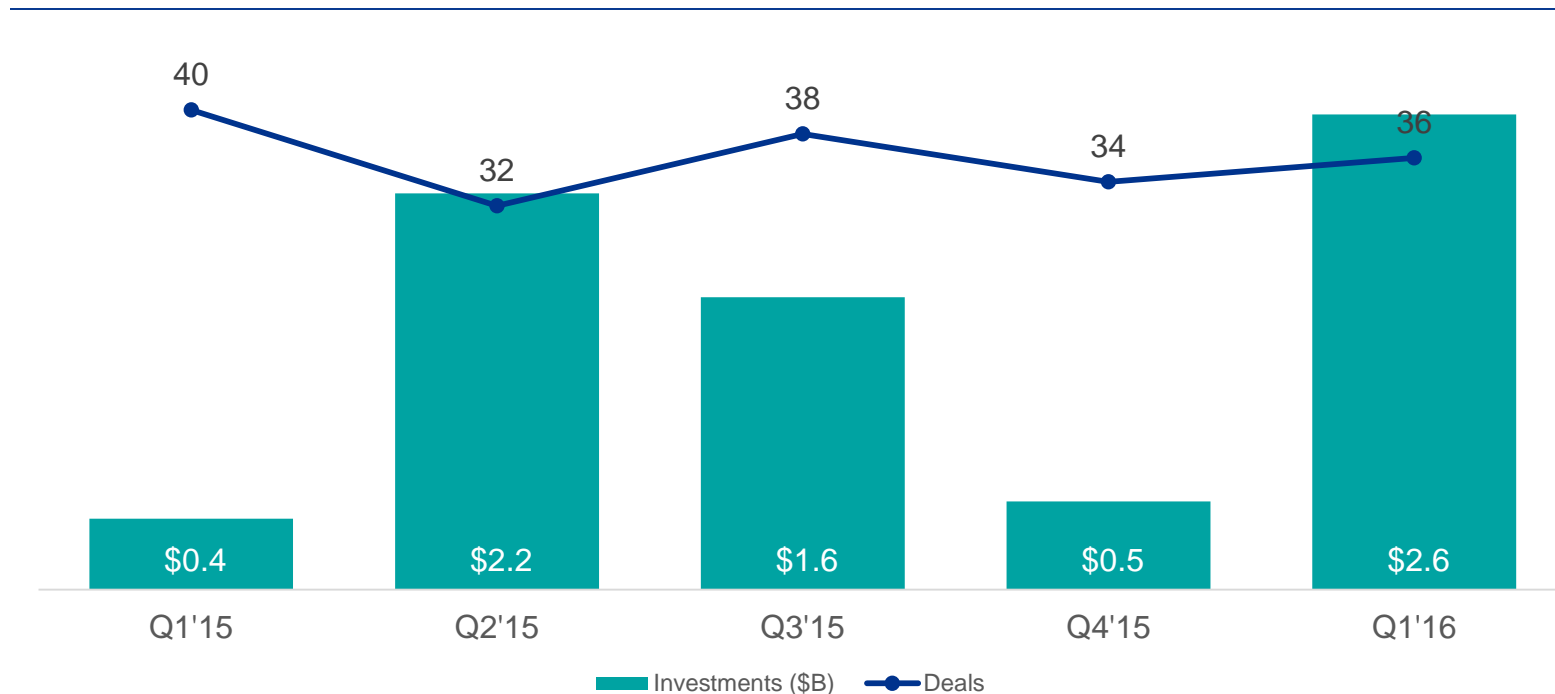


Source: The Pulse of Fintech, Q1 2016, Global Analysis of Fintech Venture Funding, KPMG International and CB Insights (data provided by CB Insights) May 25th, 2016.

# ASIAN FUNDING DOLLARS TO VC-BACKED FINTECH COMPANIES HITS 5-QUARTER HIGH

Asian fintech funding topped \$1.5B for the third time in 5 quarters on the back of mega-round activity. Deal activity in Q1'16 rose slightly from Q4'15.

## Asian Quarterly Financing Trends to VC-Backed Companies Q1'15 – Q1'16



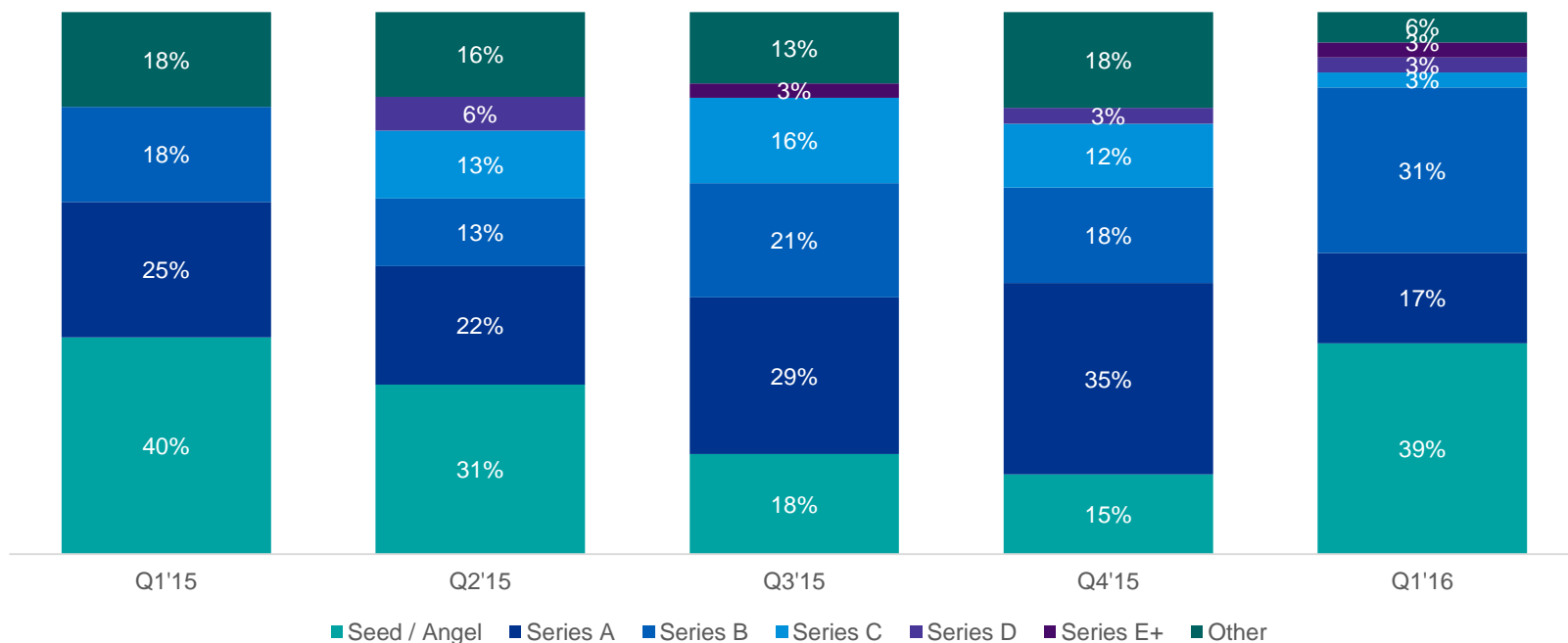
Source: The Pulse of Fintech, Q1 2016, Global Analysis of Fintech Venture Funding, KPMG International and CB Insights (data provided by CB Insights) May 25th, 2016.

# ASIAN FINTECH SEED DEAL SHARE JUMPS AS SERIES A SHARE DROPS TO 5-QUARTER LOW

Seed-deal share to VC-backed fintech companies in Asia rose from 15% in Q4'15 to 39% in Q1'16. Series A activity took fewer than 1/5<sup>th</sup> of all fintech deals in Q1'16, a 5-quarter low.

## Asian Quarterly Fintech Deal Share by Stage

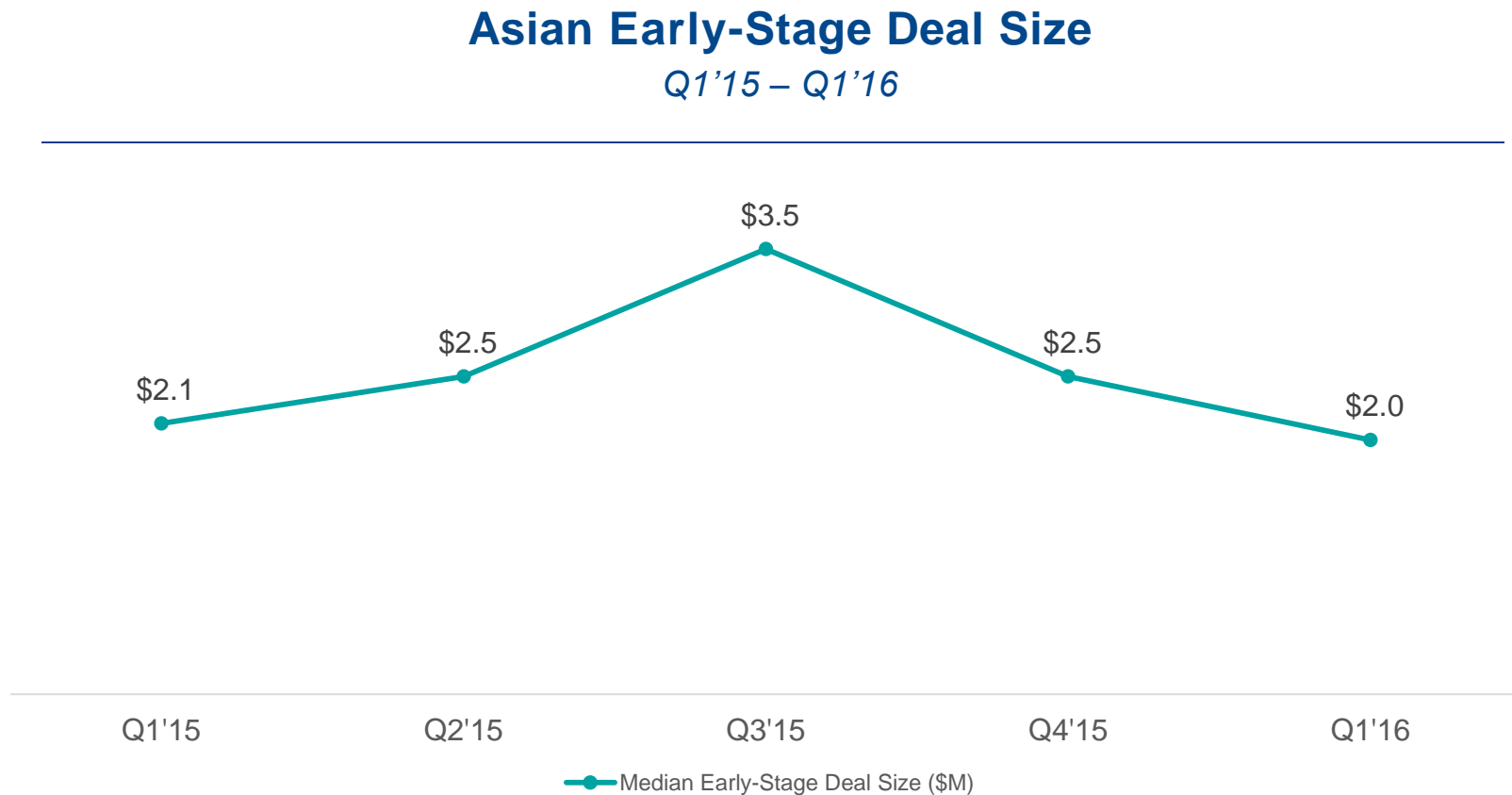
Q1'15 – Q1'16



Source: The Pulse of Fintech, Q1 2016, Global Analysis of Fintech Venture Funding, KPMG International and CB Insights (data provided by CB Insights) May 25th, 2016.

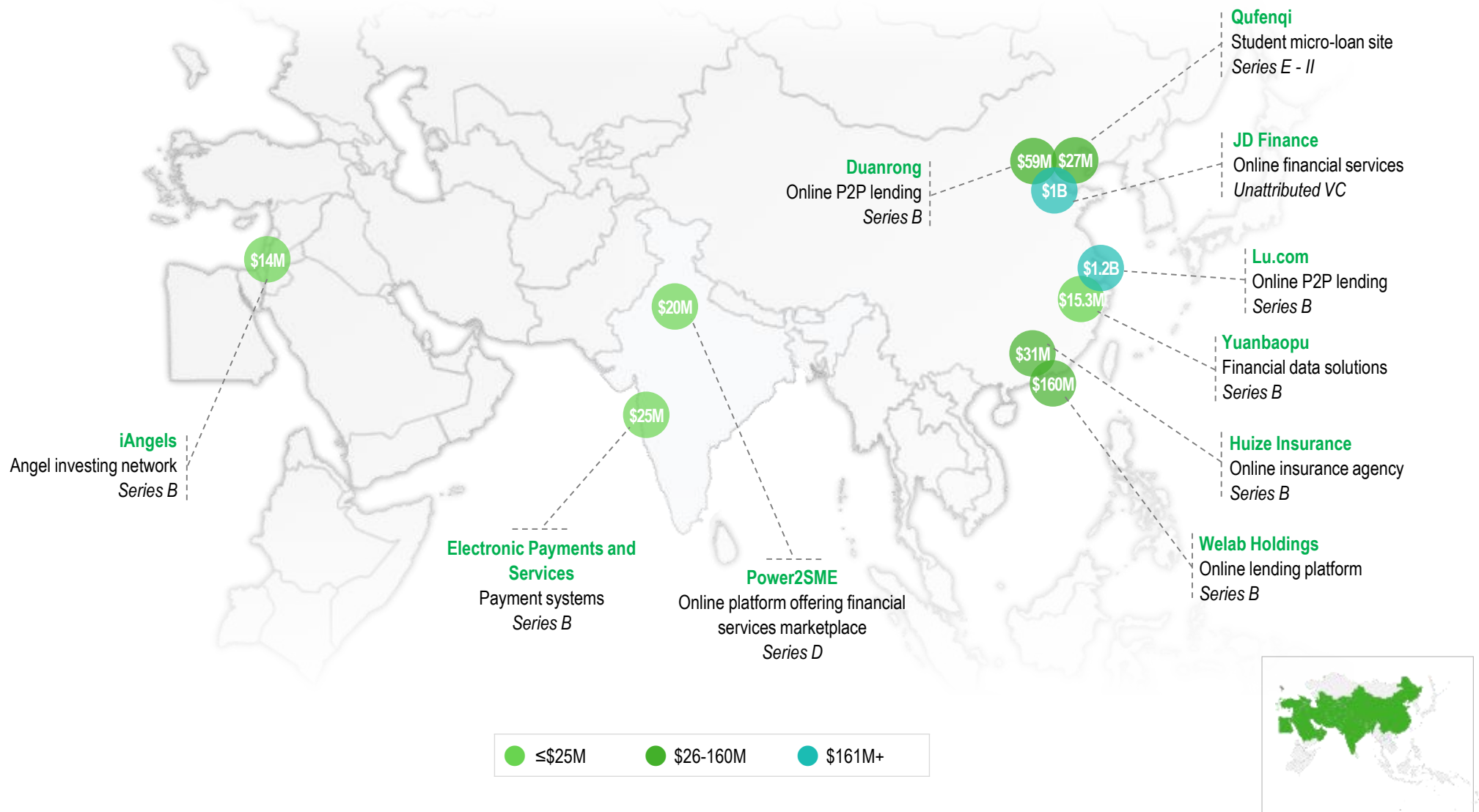
# EARLY-STAGE FINTECH DEALS FALL FOR SECOND STRAIGHT QUARTER

The median early-stage fintech deal size in Asia fell to \$2M in Q1'16, a 5-quarter low.



Source: The Pulse of Fintech, Q1 2016, Global Analysis of Fintech Venture Funding, KPMG International and CB Insights (data provided by CB Insights) May 25th, 2016.

# THE LARGEST ASIAN FINTECH ROUNDS OF Q1'16 REPRESENT OVER \$2.6B IN FUNDING



**“InsuranceTech has really taken off in the last 6 months both in terms of new innovations and investment. From a corporate perspective, many large insurance companies are investing in tech companies and building innovation labs to bring that innovation back into their core business.”**



**Jan Reinmueller**  
*Principal Advisor, and Head  
of Innovation Ventures,  
KPMG in Singapore*

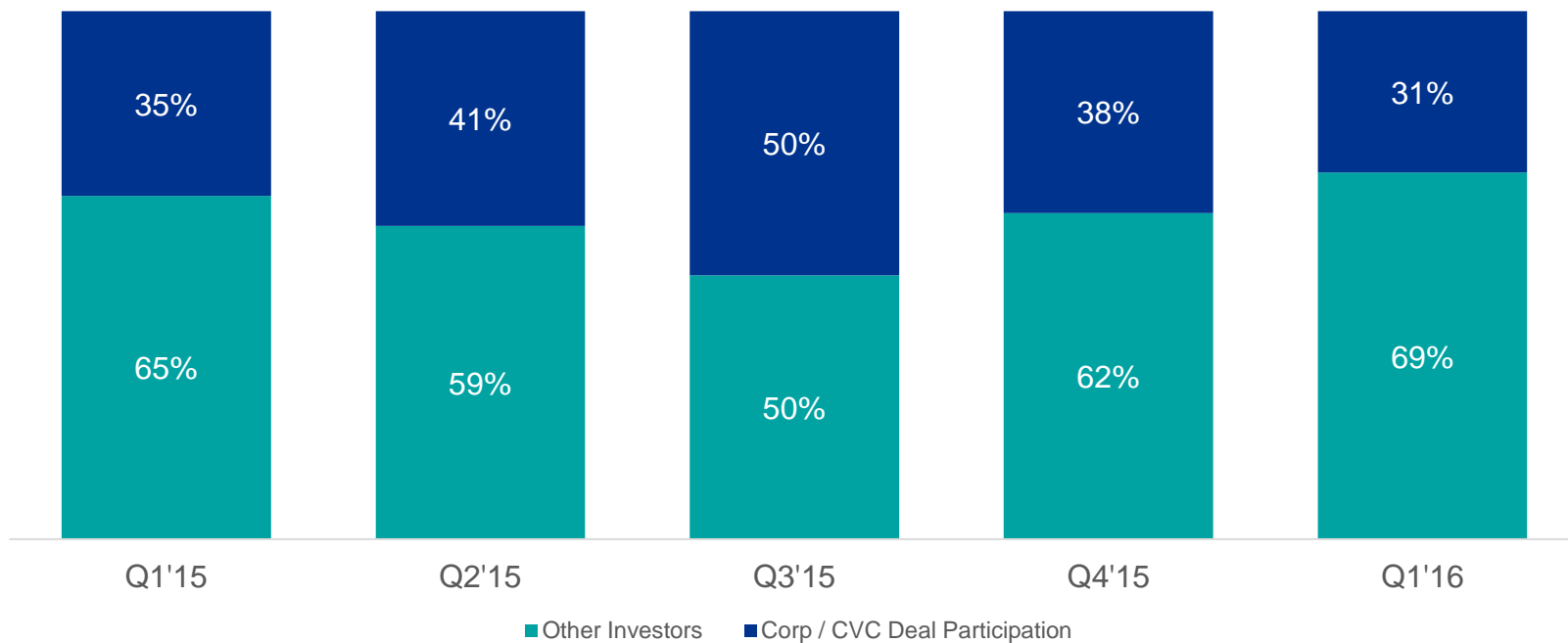
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# ASIAN CORPORATE ACTIVITY DROPS TO 5-QUARTER LOW

Corporate participation in Asian VC-backed fintech deals fell to 31% in Q1'16, a 5-quarter low. Still, corporate participation in Asia remained higher than in both Europe and North America and remained above 30% for the fifth straight quarter.

## CVC Participation in Asian Deals to VC-Backed Fintech Companies Q1'15 – Q1'16



Source: The Pulse of Fintech, Q1 2016, Global Analysis of Fintech Venture Funding, KPMG International and CB Insights (data provided by CB Insights) May 25th, 2016.

# THE MOST ACTIVE ASIAN FINTECH VCS

East Ventures, 500 Startups and Accel Partners were the top 3 most active Asian fintech VCs over the last 5 quarters by unique company investments.

## Most Active VC Investors in Asian Fintech Companies Q1'15 – Q1'16

Rank	Investor	Rank	Investor
1	East Ventures	6	Golden Gate Ventures
2	500 Startups	6	GMO VenturePartners
3	Accel Partners	6	Mitsubishi UFJ Capital
4	Kalaari Ventures	6	Blume Ventures
4	Life.Sreda	6	Sequoia Capital China

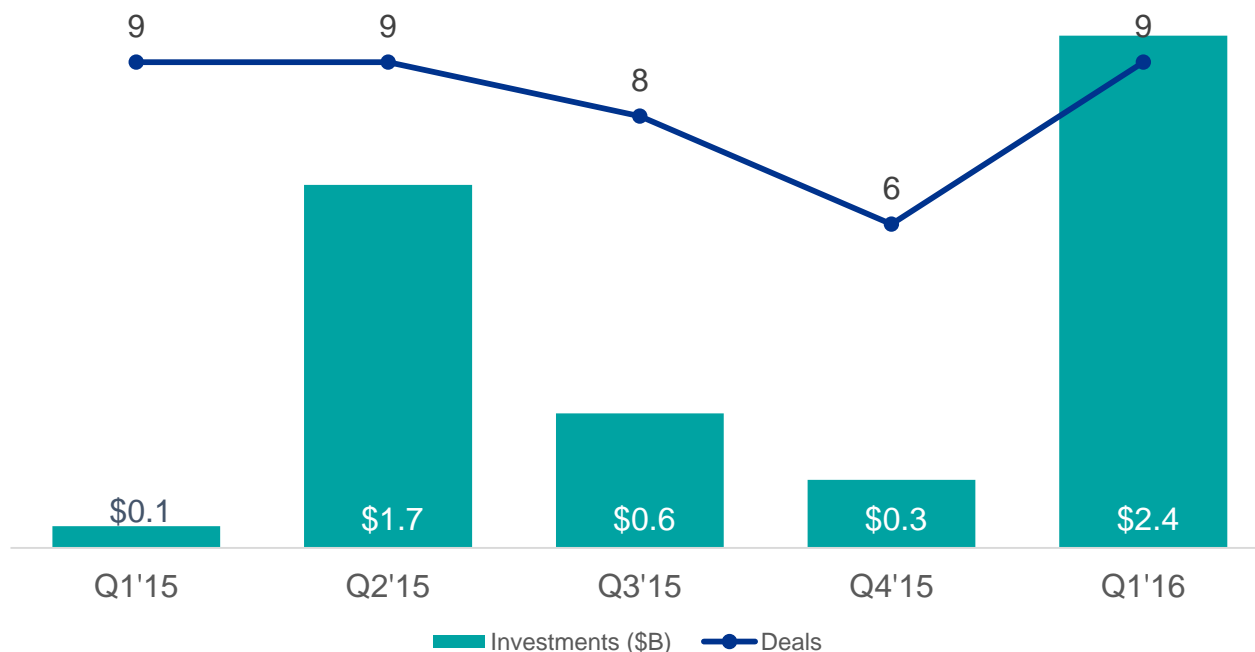
Source: The Pulse of Fintech, Q1 2016, Global Analysis of Fintech Venture Funding, KPMG International and CB Insights (data provided by CB Insights) May 25th, 2016.

# CHINA VC-BACKED FINTECH INVESTMENT ACTIVITY

## Top Deals & Cities, Q1'16

### China Fintech Investment Activity

VC-Backed Companies, Q1'15 – Q1'16



### Top Deals

#### Lu.com

\$1.21B // Series B

#### JD Finance

\$1.01B // Unattributed

#### Duanrong

\$59M // Series B

### Top Cities

#### Shanghai

5 Deals // \$1.3B

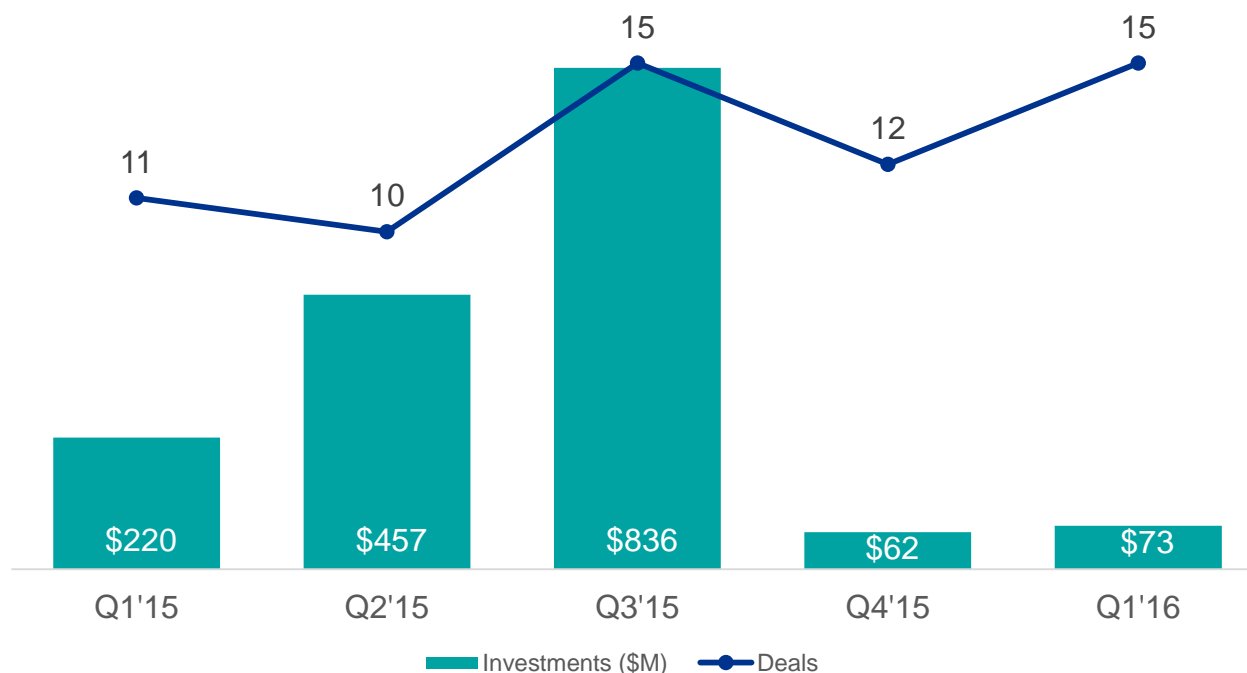
Source: The Pulse of Fintech, Q1 2016, Global Analysis of Fintech Venture Funding, KPMG International and CB Insights (data provided by CB Insights) May 25th, 2016.

# INDIA VC-BACKED FINTECH INVESTMENT ACTIVITY

## Top Deals & Cities, Q1'16

### India Fintech Investment Activity

VC-Backed Companies, Q1'15 – Q1'16



### Top Deals

#### Electronic Payments and Services

\$25M // Series B

#### Power2SME

\$20M // Series C

### Top Cities

#### Mumbai

6 Deals // \$29.3M

#### Bangalore

2 Deals // \$6.3M

Source: The Pulse of Fintech, Q1 2016, Global Analysis of Fintech Venture Funding, KPMG International and CB Insights (data provided by CB Insights) May 25th, 2016.

# METHODOLOGY – WHAT’S INCLUDED? WHAT’S NOT?

CB Insights and KPMG International encourage you to review the methodology and definitions employed to better understand the numbers presented in this report. If you have any questions about the definitions or methodological principles used, we encourage you to reach out to CB Insights directly. Additionally, if you feel your firm has been under-represented, please send an email to [info@cbinsights.com](mailto:info@cbinsights.com) and we can work together to ensure your firm’s investment data is up-to-date.

## What is included:

- Equity financings into emerging fintech companies. Fundings must be put into VC-backed companies, which are defined as companies who have received funding at any point from either: venture capital firms, corporate venture group or super angel investors.
- Fundings of only private companies. Funding rounds raised by public companies of any kind on any exchange (including Pink Sheets) are excluded from our numbers even if they received investment by a venture firm(s). *Note:* For the purposes of this analysis, JD.com’s finance arm JD Finance and its \$1B financing were included in the data per its investment from Sequoia Capital China.
- Only includes the investment made in the quarter for tranching investments. If a company does a second closing of its Series B round for \$5M and previously had closed \$2M in a prior quarter, only the \$5M is reflected in our results.
- Round numbers reflect what has closed – not what is intended. If a company indicates the closing of \$5M out of a desired raise of \$15M, our numbers reflect only the amount which has closed.
- Only verifiable fundings are included. Fundings are verified via (1) various federal and state regulatory filings; (2) direct confirmation with firm or investor; or (3) press release.
- Previous quarterly VC reports issued by CBI have exclusively included VC-backed rounds. In this report any rounds raised by VC-backed companies are included, with the exceptions listed.

## What is excluded:

- No contingent funding. If a company receives a commitment for \$20M subject to hitting certain milestones but first gets \$8M, only the \$8M is included in our data.
- No business development / R&D arrangements whether transferable into equity now, later or never. If a company signs a \$300M R&D partnership with a larger corporation, this is not equity financing nor is it from venture capital firms. As a result, it is not included.
- No buyouts, consolidations and recapitalizations. All three of these transaction types are commonly employed by private equity firms and are tracked by CB Insights. However, they are excluded for the purposes of this report.
- No private placements. These investments, also known as PIPEs (Private Investment in Public Equities), even if made by a venture capital firm(s).
- No debt / loans of any kind (except convertible notes). Venture debt or any kind of debt / loan issued to emerging, startup companies, even if included as an additional part of an equity financing is not included. If a company receives \$3M with \$2M from venture investors and \$1M in debt, only the \$2M is included in these statistics.
- No government funding. Grants, loan or equity financings by the federal government, state agencies or public-private partnerships to emerging, startup companies are not included.

# KPMG ENTERPRISE INNOVATIVE STARTUP NETWORK. FROM SEED TO SPEED WE'RE HERE THROUGHOUT YOUR JOURNEY



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# About

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## KPMG Enterprise

You know KPMG, you might not know KPMG Enterprise.

KPMG Enterprise advisers in member firms around the world are dedicated to working with businesses like yours. Whether you're an entrepreneur looking to get started, an innovative, fast growing company, or an established company looking to an exit, KPMG Enterprise advisers understand what is important to you and can help you navigate your challenges – no matter the size or stage of your business. You gain access to KPMG's global resources through a single point of contact – a trusted adviser to your company. It's a local touch with a global reach.

The KPMG Enterprise global network for innovative startups has extensive knowledge and experience working with the startup ecosystem. Whether you are looking to establish your operations, raise capital, expand abroad, or simply comply with regulatory requirements – we can help. From seed to speed, we're here throughout your journey.

## KPMG Fintech

In today's fast-paced Financial Services (FS) sector, technology-based businesses and solutions offer Financial Institutions the opportunity to telescope their appetite for innovation and create powerful new business models that can enhance bottom line performance for customers and shareholders alike. KPMG professionals use the combined strength of their renowned FS sector insight, global network of knowledge and experience and their global relationships with the Fintech startup community to help you identify the partnership, equity investment or full acquisition opportunities that are specifically focused on your needs and opportunities. Once you have made the strategic decision to transform your organization, KPMG professionals work with you to implement your transformational agenda at the operational level and help ensure that you realize the full benefits of your fintech strategy.



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