Fintech – Update

Longer Term Investments

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- The global fintech industry should continue its rapid growth, largely driven by urbanization, demand from younger generations, and favorable regulation. The COVID-19 pandemic accelerated many of these trends underpinning growth for fintech companies.
- We expect revenues in the fintech industry to grow at a double-digit annual rate over the rest of the decade, expanding from USD 310 billion in 2024 to USD 580 billion in 2030.
- Fintech should therefore provide solid long-term investment opportunities, in our view. We prefer leading payment players, platform companies and disruptors in emerging technologies like distributed ledgers, cloud and artificial intelligence.

Source: GettyImages

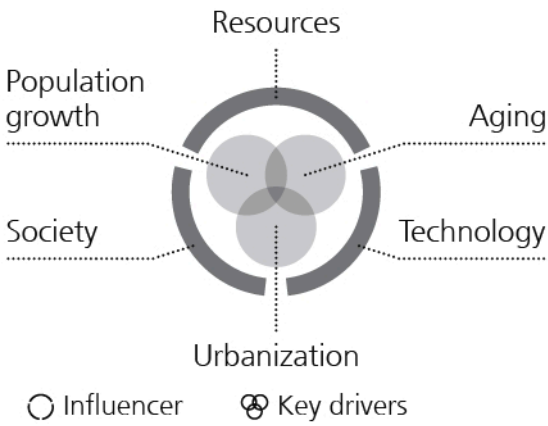
We would like to thank Xueqiong Huang and Marc Abad Llonch for their contributions to this report.

Our view

In the rapidly evolving world of finance and technology, "fintech" has emerged as a defining force of the 21st century. Short for "financial technology," fintech represents, under our definition, the intersection of innovation and finance, fueled by advancements in mobile technology, artificial intelligence (AI), distributed ledgers, cloud computing, and analytics (please refer also to our last fintech update report, 23 July 2023). Unlike traditional financial IT spending, which primarily focuses on infrastructure and operational efficiency, fintech emphasizes user-centric solutions, creating an ecosystem that redefines how individuals and businesses interact with financial services. At its core, fintech is about the digitalization of financial services, transforming how we save, invest, insure, and transact. Leveraging digital platforms, mobile apps, and emerging technologies, fintech delivers seamless, efficient, and inclusive financial solutions.

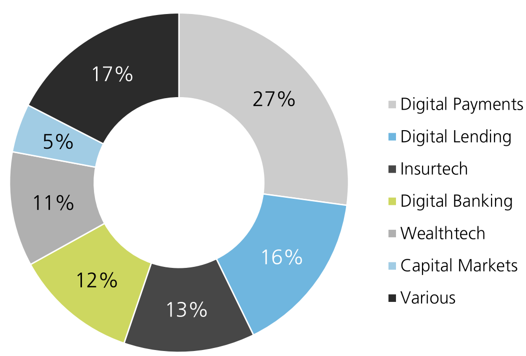
The Longer Term Investments (LTI)

This series contains thematic investment ideas based on long-term structural developments, with investment opportunities influenced by the interplay of technological advancement, resource scarcity, and societal changes.



The fintech ecosystem can be broadly categorized into six major verticals (see fig. 1): (1) digital payments, (2) digital lending, (3) insurtech, (4) digital banking (neobanks), (5) wealthtech and (6) capital markets. Digital payments, by far the largest vertical, has not only driven fintech's growth for many years—accounting for about 27% of cumulative equity funding over the last 5 years—but we also expect it to remain the largest segment in 2030.

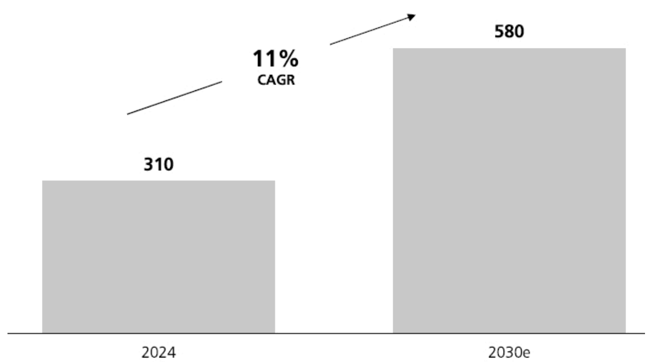
Fig. 1: Fintech equity funding (2020-2024)



Source: CB Insights, UBS as of March 2025

From an investment perspective, we think fintech represents a compelling long-term theme, offering significant growth opportunities within an increasingly favorable backdrop. We estimate that the global fintech industry generated revenues of approximately USD 310 billion in 2024 and project that number to reach USD 580 billion by 2030, an 11% compound annual growth rate (see fig. 2). Growth will likely be driven by strong customer demand as AI is expected to drive automation and personalization, with embedded finance enabling seamless integrations and open banking fostering innovation through greater data accessibility and interoperability. We see both demand as well as supply-side catalysts as strong drivers for fintech growth.

Fig. 2: Fintech revenues (USD billion)



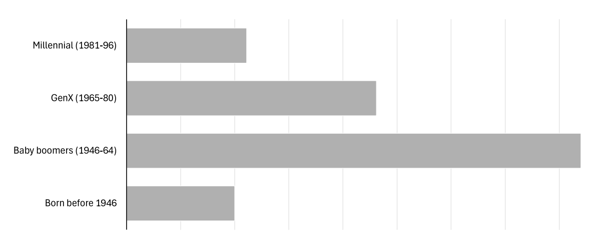
Source: UBS estimates, as of March 2025

Demand-side catalysts

The accelerating pace of urbanization and technological adoption has created fertile ground for fintech innovation. High-speed data networks such as 4G and 5G, combined with the rise of the app economy, have enabled millions of people—particularly in emerging markets—to access financial services previously out of reach. Fintech solutions like mobile payments and micro-insurance have been transformative, addressing the needs of underbanked and unbanked populations.

Millennials, a generation of digital natives (born in 1981-1996), are another critical driver of fintech demand. Representing over 20% of the global population and USD 22 trillion or 13% in private wealth in the US alone (see fig. 3), it is this generation that will benefit most from the great wealth transfer we expect to see in the next 25 years. From a fintech perspective, this is relevant because millennials prioritize convenience, personalization, and digital-first experiences. These preferences align seamlessly with fintech offerings such as digital wallets and personalized investment platforms tailored to unique financial goals.

Fig. 3: US assets by generation (in USD trillion)



Source: Survey of US Cons. Finances and Financial Accounts, as of 2Q24

Finally, regulatory frameworks worldwide are also becoming increasingly supportive of fintech. Governments recognize the potential of digital finance to foster competition, improve access to financial services, and enhance innovation. Global cash usage today stands at around 80% of 2019 levels and continues to decrease by 4% a year as electronic payments displace cash, for example by instant-payment platforms like India's Unified Payments Interface (UPI) and Brazil's Pix. We see this as a big opportunity for digitization as around USD 26 trillion of global payments are still made in cash.

Supply-side catalysts
The supply side of the fintech ecosystem is equally dynamic, with technology firms and incumbent financial institutions competing for leadership in the digital finance space. Technology companies have disrupted traditional sectors by introducing innovative solutions like proximity-based digital wallets and app-based payments, addressing unmet consumer needs while creating new revenue streams in areas such as e-commerce and social networking.

Meanwhile, traditional financial institutions are embracing fintech as a strategic imperative. Facing the risk of disintermediation, many banks and insurers have established innovation labs, forged partnerships with startups, and invested in proprietary fintech solutions. By leveraging their extensive customer bases and distribution networks, these incumbents aim to combine the agility of startups with the trust and scale of established brands.

Fintech at an inflection point
Fintech is at a pivotal juncture. Generative AI is expected to drive the next wave of industry growth by enhancing customer experiences, automating operations, and unlocking new business opportunities. While the industry faced headwinds in 2023 and 2024—marked by rising interest rates, a challenging funding environment with funding declining by more than 75% from 2021 peak, and a complex regulatory landscape—these challenges have led to a shift toward operational efficiency and sustainable growth. This is also expressed in a survey by the Cambridge Centre for Alternative Finance which showed that fintech companies see, besides macroeconomic factors, an unfavorable regulatory environment and a poor funding landscape as their primary challenges hindering growth.

Looking ahead to 2025, we believe the fintech landscape is set to improve further. Interest rates are expected to be lower by year-end, while funding conditions seem to have stabilized, as evidenced by 4Q24 equity funding volumes. At the same time, regulators and policymakers worldwide are taking steps to balance innovation with consumer protection and risk mitigation, creating a more conducive environment for fintech activities.

The following sections will explore the drivers, opportunities, and challenges that we think will shape the future of fintech, with a focus on key themes such as payments, insurtech, and neobanks.

Recent developments

Over the last 2 years, fintech has benefited from many market developments and innovations. In particular, embedded finance and AI are two major themes. With regards to embedded finance, platforms such as Shopify and Uber have added ancillary banking services to their platforms. Shopify for instance offers capital accounts, working capital loans, credit cards, and tax solutions, with units like Shopify Capital providing quick funding up to USD 2 million based on a merchant's sales history. The ability to underwrite loans and control credit risk is enabled by the company's access to high quality, unique, and incremental data. Thus far, the product line has been a big success story for Shopify with risks well controlled. Generative AI brings benefits in the form of more efficient operations through coding and customer care innovation. Improvements in fraud prevention and automated workflow as a result of advanced machine learning are also improving costs to serve.

Other practical developments include the launch of FedNow by the Federal Reserve in July 2023. This created a real-time payment system that enables both businesses and consumers to instantly settle funds, marking the first new payments system launch in the US in decades. Such advancements create more business for fintech providers to capture in the payments ecosystem. Several Bitcoin ETFs were also launched in late 2023 and 2024 after the SEC began to ease its regulatory stance. This innovation further democratized Bitcoin and cryptocurrencies, allowing more individuals to participate in the market and bolstering the asset class's credibility with improved regulatory acceptance. President Trump's reelection is seen as another vote of confidence in cryptocurrencies given his vocal support. The president has also established crypto-specific roles such as an AI and crypto czar and replaced the previous SEC chairman with Paul Atkins, who is widely viewed as more supportive of digital currencies and blockchain relative to his predecessor and is likely to be confirmed by the senate in March. Furthermore, stablecoins have found use cases in cross-border transactions as they are typically cheaper alternatives to the SWIFT payment rails. Platforms like JPMorgan's Onyx platform leverage stablecoins for real-time settlement .

Five predictions for 2025

In 2024, the global fintech market continued to encounter challenges. The Banking and Capital Markets verticals were the only two that experienced any growth. However, signs of stabilization are emerging. Funding declines have slowed and 4Q saw a rebound in activity and M&A exits. Looking ahead, we think strong secular growth drivers and a stable macroeconomic environment with lower interest rates and steadier fund flows suggest fintech funding should recover from the 2023-24 downturn.

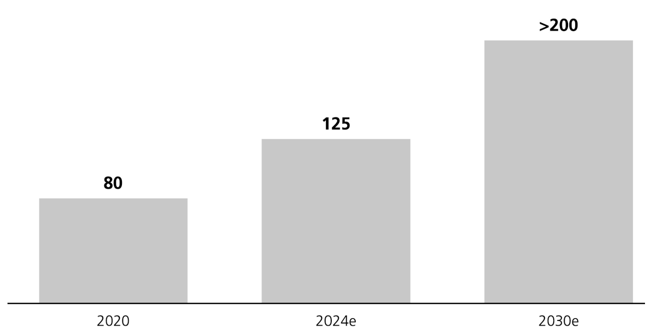
1. **More sustainable, profitable growth:** Fintechs are shifting from aggressive growth to profitability, driven by higher rates. This has improved productivity and strategic focus. To illustrate this, the six largest UK neobanks (Revolut, Shawbrook, Chase UK, OakNorth, Monzo and Starling) reported an average return on equity of 15% in 2023, up from 3% in 2022.
2. **AI-powered personalization**: AI will enhance financial services through personalized banking, fraud detection, and operational efficiency, becoming a key growth driver.
3. **Bank consolidation in the US and Europe is a potential driver for fintech:** Regulatory pressure and digitalization will further drive M&A, especially among the smallest banks. Evidence shows that smaller banks with lower IT budgets are more likely to make fintech acquisitions while bigger banks will develop it in-house (source: Journal of Financial Services Research, "Banks and fintech acquisitions", 11.01.2023).
4. **Lower regulatory barriers:** Regulatory easing, particularly in the UK and US, will benefit fintechs. However, we do not expect this to be a one-way street. The EU for example is pushing for more regulation, such as the Digital Operational Resilience Act (DORA) and the EU AI Act.
5. **Heightened capital markets activity could attract new investors:** The second half of 2024 marked a turning point for capital markets activity, with ECM volumes in 4Q reaching the highest levels since the end of 2021, driven by a surge in IPOs. This bodes well for major fintech companies like Klarna, Chime, and eToro to pursue IPOs throughout 2025.

Selected focus areas

Digital payments

Payments form the largest subsector within fintech. We expect its market size based on revenue to exceed USD 200 billion by 2030 from USD 125 billion in 2024 (see figure 4). This sector has also evolved into one of the most dynamic areas of fintech due to advancements in technology, the growth of digital payments over e-commerce, and changing consumer expectations. The complexity of payments is only increasing given this changing technological landscape and customer expectations, through innovations such as peer-to-per payments, omnichannel payment integration, e-commerce penetration and financial innovations like buy-now-pay-later. In fact, for many years, the US was not deemed a potential market for leading digital payments processor Adyen since the level of complexity was not high enough to warrant their more effective integrated solution for merchants. The structural change from that demonstrates the growing market for fintech payments as they solve increasingly complex pain points. The key drivers that we see for payments include the continued growth of smartphones (enabling wallets and new payment flows), AI and machine learning (supporting advanced fraud detection), blockchains (which introduce decentralized and secure payments), the globalization of commerce and online shopping, and changing consumer expectations.

Fig. 4: Digital payments market
(revenues in USD billion)



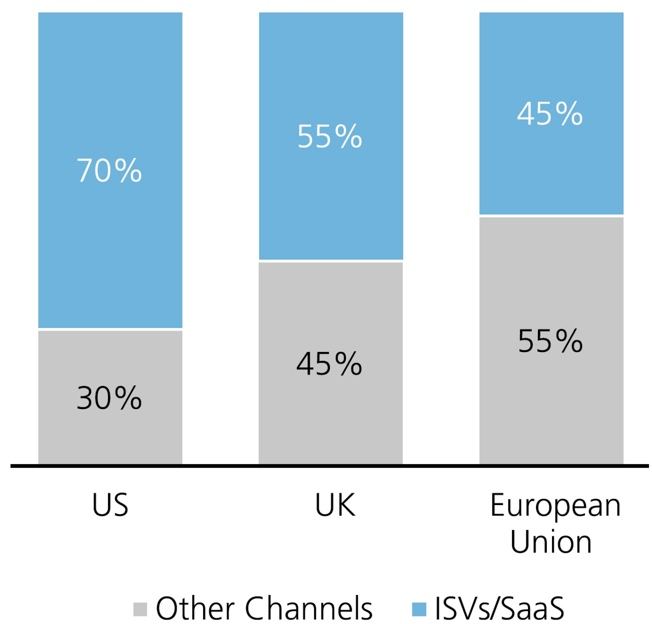
Source: UBS estimates, as of March 2025

As the payments industry matures, business model and technology innovations continue to drive growth rates above GDP levels. We expect leading fintech businesses to out-innovate the slow-moving traditional banking sector and as a result, we see structural growth in the penetration of fintech within global legacy banking. One of the most material trends is the rise of embedded finance, where financial services like payments, lending, insurance, and banking are integrated directly into non-financial platforms such as Shopify, eBay, and Uber. Embedded finance is enabled by advancements in APIs and the proliferation of digital platforms, both domains where fintech payments have a natural advantage over traditional providers. According to McKinsey, the embedded finance market in Europe generated an estimated EUR 20-30 billion in Europe in 2023, or about 3% of total banking revenues. Moreover, overall embedded finance volumes grew nearly 3x faster than traditional banking loans. Embedded finance can also enhance customer experience with frictionless and instant settlements, increased revenue streams for non-financial companies (for instance Shopify Capital has facilitated over USD 4 billion in loans since its inception), and cost efficiencies as platforms can more seamlessly integrate solutions through APIs to avoid the need for costly partnerships and higher fee traditional banking infrastructure. As the trend matures, we expect embedded finance to touch an increasing number of industries, such as health care or real estate, via industry/vertical specific offerings. Platforms such as Toast have already been developed in the software-as-a-service (SaaS) industry, for instance. Embedded payments through SaaS platforms have gained significant traction as operating companies benefit from the simplicity and synergies in having payments routed through their underlying software provider. We expect this to be a dependable trend with the US leading the transition and other regions likely following suit. Indeed, within the e-commerce market for SMBs, embedded finance through SaaS platforms has close to 70% penetration in the US, followed by the EU at 45% (see figure 5).

Software payments and embedded finance penetration for Point-of-Sale lag further behind e-commerce, as shown in Figure 6. The greatest opportunity once again lies in the EU, where banks remain by far the largest route for payments (representing 55% out of the remaining 80% in the "Other channels" section of Figure 6). This represents a significant opportunity for fintech players as their integrated platforms with less technical debts can drive a true value proposition relative to traditional payment rails. Furthermore, we expect embedded finance to converge with other innovations such as generative AI or blockchain to further drive revenue and margins. Over time, regulatory considerations will likely gain in importance as the penetration of embedded finance grows. Regulators may seek additional transparency, data privacy, and customer protection rights to name a few. Overall, we see embedded finance as a strong positive driver for payments.

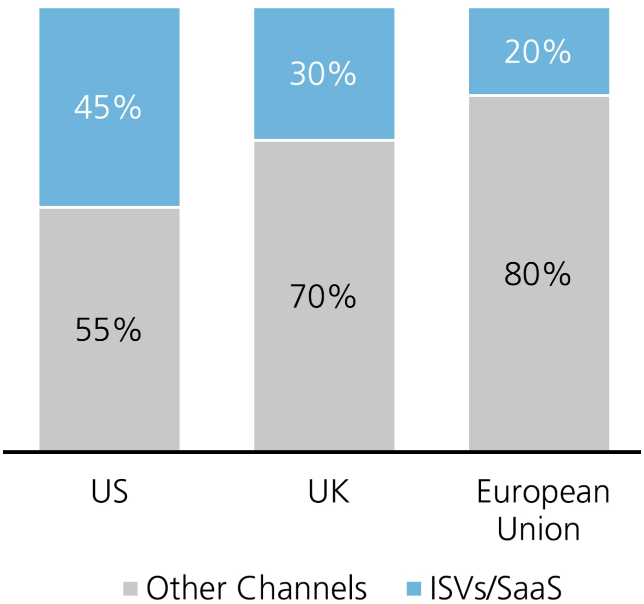
Within embedded finance, we further highlight the growth of Buy Now, Pay Later (BNPL) solutions since the COVID pandemic. The benefits of BNPL are multi-fold, including additional flexibility from splitting payments over several months at low interest rates, increased sales to merchants as more flexible payment options drives conversion, and finally improved accessibility for consumers. Having said that, challenges such as the over-indebtedness of low credit score consumers and a lack of regulatory oversight may limit the proliferation of BNPL. We see BNPL as an attractive solution if underwriting is appropriately risk managed, given BNPL can add value to merchants and is positioned to capture market share. One leading BNPL firm, Klarna, confidentially filled IPO documents with the SEC in November 2024 after having achieved profitability in August 2024, another sign of the industry's continued maturity.

Fig. 5: Embedded payments penetration within e-commerce



ISV: Independent Software Vendors, SaaS: Software as a Service. Source: Flagship Advisory Partners, UBS

Fig. 6: Embedded payments penetration within point-of-sale



ISV: Independent Software Vendors, SaaS: Software as a Service. Source: Flagship Advisory Partners, UBS

As commerce has become more globalized and digitized, the use and importance of global payments and cross-border transactions have risen. E-commerce platforms such as Shopify integrate with payment providers like Stripe, Adyen, and PayPal to facilitate global sales and allow merchants to accept multiple currencies and payment methods. The demand for real-time cross-border payments has also risen as traditional cross-border systems like SWIFT are costly, slow, and opaque. Examples such as Visa Direct or Mastercard Send enable real-time cross-border payments, improving efficiency and liquidity. Moreover, open banking regulations, such as the Payments Services Directive 2 (PSD2) introduced in 2018 in Europe encourage further innovation in global payments by enabling third-party access to financial data and infrastructure.

Any report written following the "ChatGPT moment" in November 2022 must include a discussion on generative AI and the benefits it brings. With regards to payments, we see several major benefits. For instance, we expect numerous cost to serve benefits as AI models can help analyze large datasets to detect anomalies, predict fraud, and enhance credit risk assessments. Visa uses models to simulate potential fraud scenarios, improving the detection of irregularities in real time. On the operations side, generative AI has already scaled effective solutions for customer care, coding, and workflow automation. We expect competitively differentiated operators to retain these benefits and capture the economic value add. As an example, Klarna's internally developed AI chatbot assistant is reported to already be handling about two-thirds of customer services chats, the equivalent work of 700 full-time agents. This has driven EUR 40 million of cost savings for the firm. We also envision a steady state where personalized financial advice can be widely available with healthy operating leverage for providers. By understanding customer data and suitability at a granular level with generative AI, individualized solutions can be made more accessible and cost effective.

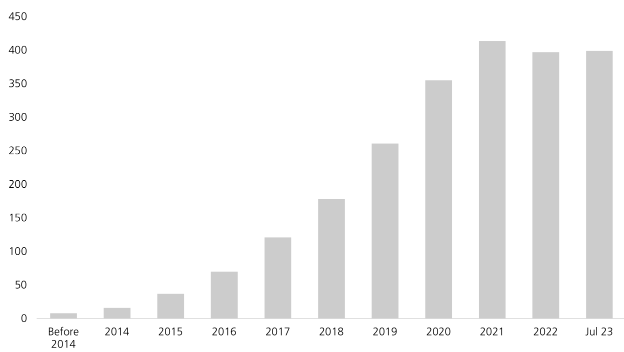
Finally, we see central bank digital currencies (CBDC) and blockchain as potential sources of innovation and market growth within payments. CBDCs are digital forms of national currencies issued and regulated by central banks. CBDCs can significantly reduce transaction costs, especially with cross-border payments, enable banking services to more unbanked individuals, and provide central banks with more direct control over money supply. As an example, the Bahamas launched the Sand Dollar CBDC for all residents, including those in remote islands. This has helped drive deeper financial inclusion and accessibility to banking services. Blockchain, as a distributed ledger, should be able to enable faster and cheaper payments by eliminating intermediaries due the almost immutable nature of its ledger. RippleNet, for instance, uses blockchain to enable fast, cost-effective cross border payments. Firms such as American Express and PNC Bank have partnered with Ripple to enable faster international transfers. We expect the overall payments landscape to continue to evolve and digitize, creating ample opportunities for leading fintech incumbents.

Neobanks

Neobanks, which operate without traditional physical branches and exist purely online, have demonstrated their ability to disrupt the banking status quo. In pre-COVID years, neobanks saw a myriad of new players attempt to capitalize on a lucrative outlook. However, following the pre-COVID gold rush, the number of neobanks has stabilized as the industry matures (see Figure 7).

In particular, neobanks saw rapid customer growth as the pandemic accelerated the shift to digital banking. However, the rise in interest rates since 2022 has negatively affected the general availability of funding and raised concerns about the sustainability of the business models and its ability to monetize a growing customer base. This challenging environment has led to a pivot from a "growth at all costs" strategy to profitable growth and sustainable operations. While customer acquisition has slowed somewhat from the pandemic's peak, revenue continue to grow at an impressive rate. According to Boston Consulting Group, neobanks achieved a revenue CAGR of 78% from 2021 to 2023.

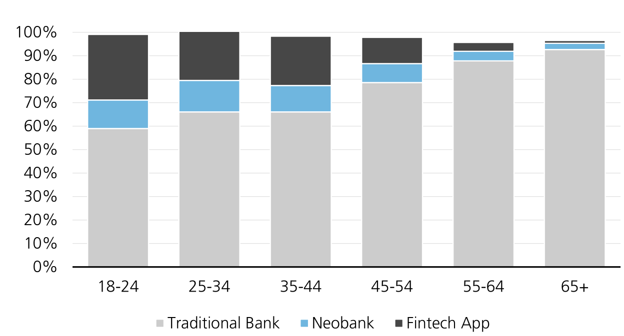
Fig. 7: Number of global neobanks



Source: Simon-Kucher (2023), UBS, as of March 2025

While neobanks enjoy a multitude of advantages, they also face challenges such as competition from both other neobank players and traditional banks, which have joined the race by launching their own exclusively-digital plays. Though some customers were attracted with the promise of a better user experience, neobanks are still only in the early stage of capturing primary banking relationships. According to data from EY, more than three-quarters of consumers in the largest European countries state that their primary financial relationship is with a traditional bank. Similarly, US consumers still predominantly use traditional banks for primary banking relationships, with 59% of the 18-24 age group and 93% of those over 65 doing so (see Figure 8). Traditional banks today still have several advantages that neobanks have yet to achieve, such as generations of trust, a wider range of products, and established reputation.

Fig. 8: Primary banking relationships among US consumers



Source: TD Cowen, UBS, as of March 2025

Use case: The road to profitability

Revolut is an illustrative example of an industry that evolves quickly and is maturing at the same time. Focusing mostly on growth, Revolut has been struggling with losses and low profitability since its launch in 2015. It also faces increasing pressure to comply with different regulatory standards across multiple jurisdictions. As a result, Revolut has prioritized operational excellence and broadened its credit product offerings in the last few years into unsecured personal loans, credit cards, and Buy Now Pay Later (BNPL). As a result, its loan porfolio grew by 170% y/y in 2023, though it still represents a small part of operations at sub-4% of on balance sheet deposits. Revolut reported profit after tax of GBP 344m in 2023, driven by a 94% y/y increase in total income, which has grown 8x in the last 3 years.

Insurtech

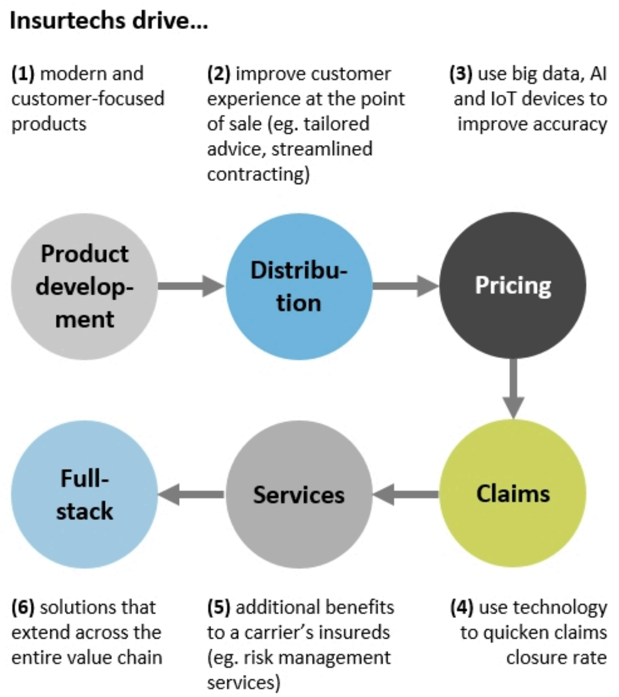
We view insurtech as the intersection of financial and technological innovation that transforms how insurers operate. Insurtech is revolutionizing the insurance industry by introducing advanced technologies that disrupt traditional models, impacting both incumbents and clients. For incumbents, insurtech drives the need for operational efficiency and innovation, as startups leverage AI and data analytics to automate processes and offer personalized products. This forces traditional insurers to adopt similar technologies and rethink their business models to stay competitive. For clients, insurtech enhances the customer experience by providing user-friendly digital platforms, transparent pricing, and personalized insurance products. The accessibility and cost efficiency can lead to greater client satisfaction and loyalty, compelling traditional insurers to improve their offerings (see Figure 9).

The impact of AI on the insurance sector

The adoption of artificial intelligence in the insurance industry has led to significant improvements in operational efficiency and customer satisfaction. AI technologies can help insurers automate processes such as claims handling. According to McKinsey, automation could replace over 50% of current claims activities by 2030. Additionally, AI-powered chatbots and virtual assistants provide immediate assistance, enhancing customer service. Ultimately, integrating AI not only reduces operational costs but also fosters innovation, allowing insurance companies to adapt to evolving client demands.

One of the critical areas where AI is making a substantial impact is in combating insurance fraud. The total cost of insurance fraud in the US, excluding health insurance, is estimated to exceed USD 40 billion annually, costing the average family between USD 400-700 per year in the form of increased premiums. By leveraging machine learning algorithms, insurers can analyze extensive datasets to detect fraudulent activities and optimize underwriting procedures.

Fig. 9: Insurtech value chain



Source: UBS, as of March 2025

Use case: Lemonade
Lemonade serves as a prime example of how insurtech companies are redefining the traditional insurance industry through technology and customer-centric innovation. With its AI-driven platform, Lemonade enables customers to purchase renters, homeowners, pet, or life insurance in minutes using a chatbot that simplifies complex processes. A notable use case is its claims process: If a policyholder's bike is stolen, they can file a claim via the Lemonade app by answering a few questions and providing evidence, such as a video description. Lemonade's AI assesses the claim almost instantly, reimbursing the customer within hours. By combining AI, behavioural economics, and a socially conscious approach, Lemonade demonstrates how insurtech companies can deliver faster, fairer, and more ethical insurance solutions.

Innovations beyond AI in the insurance industry
Beyond AI advancements, the insurance sector is embracing innovation through digital tools and platforms that enhance efficiency and customer engagement. Technologies such as blockchain facilitate secure data sharing and the execution of smart contracts, promoting transparency and reducing administrative overhead. Furthermore, wearable devices and IoT sensors are employed for real-time risk monitoring across various domains, including health, automotive, and property insurance. These innovations empower insurers to implement usage-based models, such as pay-as-you-go or pay-how-you-drive policies. Supported by cloud computing and advanced analytics, the insurance landscape is becoming more agile, accessible, and focused on customer-centric solutions.

Use case: Addressing climate change risks
As the frequency and severity of extreme weather events linked to climate change escalate, insurers are increasingly leveraging artificial intelligence to strengthen their risk management strategies regarding natural disasters. According to Aon, economic losses from natural catastrophes reached USD 380 billion in 2023, of which 69% were uninsured. Insurers are adopting AI-driven solutions, such as early warning systems and home monitoring devices, to help customers mitigate risks. These technologies provide timely notifications about potential disasters and enable insurers to analyze data patterns for a deeper understanding of risk exposure. By proactively addressing these challenges, insurers can minimize overall losses, enhance customer experiences, and better protect their clients' assets and families, illustrating the critical role AI plays in adapting to the evolving landscape of natural catastrophe risks.

Fintech and the SDGs

Technology has reshaped the global financial landscape, with a diverse range of disruptive technologies that challenge the way traditional institutions conduct business across various verticals. At its heart, fintech has the potential to dramatically expand access while lowering transaction costs and speed. This can be catalytic for financial empowerment, especially in emerging markets where structural challenges such as infrastructure limitations, inhibitive costs or endemic social norms may restrict access to financial services.

There is strong evidence that the provision of digital financial services has a significant impact on women's economic empowerment (source: Suri and Jack 2016, Field et al 2019) across diverse markets, with further strategic impact on other sustainable development goals, including, for example, access to nutrition and health services, or social and occupational mobility.

The potential for positive social impact varies depending on the vertical, the target market, and most importantly the intentionality and strategic policies of the service developer/provider. Some examples include robo-advisors widely expanding the investment opportunity set for mass consumers, mobile banking and digital wallets eliminating infrastructure bottlenecks in emerging markets, and insurtech providing social safety nets for those most in need. These are just some examples that have collectively improved financial stability for the bottom of pyramid savers and borrowers in the global economy.

Secondarily, fintech is both a result of, and an enabler for, increasing data transparency that is driving industry progress within finance. Sustainable investing, for example, is itself possible given the dramatic increase in data availability around companies business and social practices. The integration of climate models and geospatial data is critical to how climate risk reporting standards are evolving today. Meanwhile, blockchain and distributed ledger technologies have the potential to improve financial accountability and traceability.

For this reason, we see fintech as an investment theme, to have alignment potential to the UN Sustainable Development Goal 1: No poverty, in particular to the underlying target 1.4, which explicitly mentions the opportunity in financial inclusion. We also see fintech playing a secondary supporting role in delivering target 1.5, which aims to improve economic resilience to climate risk. Investors who wish to seek greater alignment, or potential contribution to the SDGs, should carefully consider investment solutions or opportunities from a bottom-up perspective.

At the same time, fintech is not without sustainability risks. By definition, it is built on digital technology, and therefore exposed to similar risks in data privacy and cybersecurity, or algorithmic bias, for example. This also affects the potency of fintech as a driver for sustainable development, it can only go where tech goes, so ultimately it remains constrained by the persistent-infrastructure or social gaps contributing to the digital divide (lingering penetration gap between DM and EM, for one). Finally, as the regulatory landscape continues to rapidly evolve, so too will fintech business models and more importantly their effectiveness in delivering SDG solutions.
Stephanie Choi, Sustainable Investing Strategist

Investment implications

Fintech provides both opportunities and risks to incumbents. Companies that embrace technology and are flexible about adjusting their business models should outperform their peers, in our view. With double-digit revenue growth annually and moderate margin expansion due to rising scale benefits, we expect our fintech theme to report low- to mid-teens earnings growth over the next few years. Based on our forecast of annual double-digit earnings growth by 2030, fintech should be one of the fastest-growing industries globally. In our view, payment industry leaders, technology companies launching disruptive fintech services, and incumbent financial corporations with a clear fintech strategy should benefit the most from the theme. Also, we believe companies that are able to create platforms with network effects around emerging technologies, like AI and machine learning, distributed ledger, cloud and analytics, are potential winners.

Risks

We believe key downside risks include, but are not limited to:

- Tighter regulations around fintech that could slow down industry growth. As highlighted earlier, favorable regulations are a key growth driver for the industry, as the need for financial inclusion is forcing governments to promote fintech. A tighter regulatory environment may therefore worsen fintech's growth prospects.
- Deflationary pricing continuing for longer than expected, resulting in margin pressure.
- Data privacy and consumer protection concerns. As fintech companies leverage data to provide a wide range of financial services, any potential data breach or cyber crime is a risk. Both fraud and hacker intrusion not only causes monetary loss, they also violate the privacy of users which is a major concern. (Our other Longer Term Investment theme "Security and safety" highlights opportunities from the broader trend of rising spending on cybersecurity.) Also, lower consumer protection compared to traditional products can slow down adoption.
- The emerging nature of fintech, which means the potential list of winners will likely be very dynamic and should continue to evolve. Hence, investors should broaden their exposure when investing in the theme.

Key upside risks are more M&A transactions than expected, which would raise the valuations of the industry, and more favorable regulations, which would likely facilitate fintech adoption, particularly in emerging markets.

Reference list

In the following we describe our screening process. To select the stocks in this list, we used the FactSet business classification system (RBICS), which uses a bottom-up approach to classify companies according to the products and services they provide. Out of more than 1,900 subsectors in the FactSet RBICS classification, 16 are in the scope of our investment theme. We filtered the 16 subsectors for stocks that have at least 25% sales exposure (calculated as the sum of individual sales exposures across all 16 subsectors, equal to or exceeding 25%). We excluded those with a market capitalization of less than USD 2bn. Please note that this list is only for reference and is not a recommendation list. Sixteen FactSet subsectors: Electronic Payment Processing, Credit Cards, Internet Department Stores, Cryptocurrency Trading and Exchanges, Multinational Internet Banks, Securities Sales and Trading Services, General Consumer Finance Services, Insurance Software, Alternative Exchanges and ECNs, Money Transfer Services, Commercial Bank and Credit Union Software, Peer-to-Peer Lending, Middle East and Africa Wireless Telecom Services, Mixed Electronic Transaction Processing, United States Internet Banks, Market Makers and Specialists.

Sustainable considerations

In line with UBS GWM SI securities definitions, we apply three filters to assess companies relevance to sustainable investing: the promotion of environmental or social characteristics (positive selection), good governance (exclusion), and the ability to do no significant harm (exclusion). For the positive selection criteria, to identify ESG Thematic attributes we screen for above-industry performance in the responsible management of production and sourcing practices, as well as evidence of revenues aligned to sustainable goals as defined by Sustainalytics. At the same time, we recognize that ESG Leaders in strategic sectors; may play a catalytic role in accelerating sustainable development, as adopters or investors in critical new technologies. To identify ESG Leaders, we screen for top performing companies in overall sustainability management as captured by our UBS SI Headline score. We further exclude bottom-performing companies on the topics of governance and people, to establish a baseline for good governance. Finally, we exclude bottom-performing companies on the topics of climate change, water, and pollution and waste, as well as companies with controversial business activities and history of controversial incidents, to avoid those that cause significant harm.

Table 1: Fintech companies' reference list

This not a list of recommendations. The following companies meet UBS SI definitions to be considered as a company with thematic attributes, and most relevant to sustainable investing solutions:

Name	**Market**	**Market cap (USD mn)**
Visa Inc. Class A	United States	607,795
Mastercard Incorporated Class A	United States	505,200
Deutsche Boerse AG	Germany	51,867
Synchrony Financial	United States	21,708
Temenos AG	Switzerland	6,137
KrungThai Card Public Co. Ltd.	Thailand	3,870
Worldline SA	France	2,038

Source: Factset, UBS, as of 6 March 2025. For more details about the screening process please see our reference list methodology.

Table 2: Fintech companies' reference list - part 1

This is not a list of recommendations. The following companies meet our screen's criteria for inclusion on the reference list, but either do not qualify or do not report the necessary data to meet the additional SI criteria outlined above.

Name	Market	Market cap (USD mn)
American Express Company	United States	199,646
Shopify, Inc. Class A	Canada	128,472
Fiserv, Inc.	United States	126,829
MercadoLibre, Inc.	Uruguay	107,112
Capital One Financial Corp	United States	70,908
PayPal Holdings, Inc.	United States	68,752
Adyen NV	Netherlands	58,007
Coinbase Global, Inc. Class A	United States	46,749
Discover Financial Services	United States	45,525
Nu Holdings Ltd. Class A	Cayman Islands	40,195
Fidelity National Information Services, Inc.	United States	36,898
Block, Inc. Class A	United States	34,192
Corpay, Inc.	United States	25,020
Global Payments Inc.	United States	24,831
Guidewire Software, Inc.	United States	16,488
Affirm Holdings, Inc. Class A	United States	16,381
Tradeweb Markets, Inc. Class A	United States	15,693
SoFi Technologies Inc	United States	14,727
Jack Henry & Associates, Inc.	United States	12,949
Wise PLC Class A	United Kingdom	12,698
SBI Cards & Payment Services Ltd	India	9,225
Edenred SA	France	8,501
KakaoBank Corp.	South Korea	7,493
MarketAxess Holdings Inc.	United States	7,382
Nexi S.p.A.	Italy	6,785
Rakuten Bank, Ltd.	Japan	6,475
Qifu Technology, Inc. Class A	Mainland China	6,456
Shift4 Payments, Inc. Class A	United States	6,414
CCC Intelligent Solutions Holdings Inc	United States	6,392
WEX Inc.	United States	5,997

Source: Factset, UBS, as of 6 March 2025. For more details about the screening process please see our reference list methodology.

Table 2: Fintech companies' reference list - part 2
This is not a list of recommendations. The following companies meet our screen's criteria for inclusion on the reference list, but either do not qualify or do not report the necessary data to meet the additional SI criteria outlined above.

Name	Market	Market cap (USD mn)
Upstart Holdings, Inc.	United States	5,616
Safaricom PLC	Kenya	5,489
One 97 Communications Ltd.	India	5,197
Q2 Holdings, Inc.	United States	4,927
Remitly Global, Inc.	United States	4,457
Credit Saison Co., Ltd.	Japan	4,411
Euronet Worldwide, Inc.	United States	4,243
GMO Payment Gateway, Inc.	Japan	3,846
SBI Sumishin Net Bank Ltd	Japan	3,762
Marui Group Co., Ltd.	Japan	3,683
Axos Financial, Inc.	United States	3,679
Western Union Company	United States	3,613
nCino Inc	United States	3,514
Samsung Card Co., Ltd	South Korea	3,501
Virtu Financial, Inc. Class A	United States	3,142
Payoneer Global Inc.	United States	3,001
Alkami Technology Inc	United States	2,962
StoneCo Ltd. Class A	Cayman Islands	2,580
Lufax Holding Ltd Class A	Mainland China	2,431
EVERTEC, Inc.	Puerto Rico	2,408
Tradegate AG Wertpapierhandelsbank	Germany	2,298

Source: Factset, UBS, as of 6 March 2025. For more details about the screening process please see our reference list methodology.

Appendix

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