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Investment Memo

Beta Fintech

Modern banking infrastructure for small and medium businesses in underserved markets

Seed Round | February 2025

Executive Summary

Beta Fintech is building a neobank platform specifically designed for SMBs in underserved markets. Traditional banks fail to serve the 30M+ small businesses in the US with modern financial tools. Beta Fintech offers business checking accounts, invoicing, expense management, and working capital loans through a single mobile-first platform. Founded by an ex-Stripe product lead and an ex-Goldman Sachs investment banker, the company has achieved \$500K ARR with 10K signups and 1,000 active users in just 8 months. Beta Fintech is raising \$3M in Seed funding to expand product capabilities and grow its user base.

Key Metrics

Metric	Value
ARR	\$500K
Total Signups	10,000
Active Users	1,000
Deposit Volume	\$15M
Monthly Transaction Volume	\$8M
Average Revenue Per User	\$42/month
Churn Rate	3% monthly
NPS Score	62

Company Overview

Beta Fintech launched in June 2024, targeting small businesses with 1-50 employees that are underserved by traditional banks. The platform offers: (1) Business checking accounts with zero fees, (2) Integrated invoicing and payment collection, (3) Automated expense categorization and bookkeeping, (4) Revenue-based working capital advances up to \$50K. The company partners with a chartered bank for deposits (FDIC insured) and uses proprietary ML models for credit underwriting. The mobile-first platform is designed for business owners who manage finances on-the-go, with an average session time of 12 minutes.

Market Opportunity

The US SMB banking market represents a \$30B revenue opportunity. There are 33M small businesses in the US, and 82% report dissatisfaction with their current banking provider (2024 J.D. Power study). The addressable market for SMB fintech solutions is growing at 25% annually. Key tailwinds include: increasing digitization of SMB operations, regulatory changes enabling fintech partnerships, and

growing demand for integrated financial platforms versus point solutions.

Founding Team

Name	Role	Background
James Wright	CEO	Ex-Stripe Product Lead (5 years). Led Stripe Atlas, growing it to \$100M+ in revenue.
Priya Patel	CFO/Co-founder	Ex-Goldman Sachs VP in Investment Banking (7 years). Specialized in fintech M&A.
Tom Harris	CTO	Ex-Plaid senior engineer (4 years). Built Plaid's transaction enrichment engine.

Business Model

Beta Fintech generates revenue through: (1) Interchange fees on debit card transactions (1.5% average), (2) SaaS subscription for premium features (\$29/month), (3) Interest margin on working capital advances (18-24% APR), (4) Payment processing fees on invoicing (2.9% + \$0.30). Current revenue mix: 40% interchange, 25% subscriptions, 25% lending, 10% payment processing. Target blended take rate of 3.5% of SMB financial volume.

Financial Overview

Metric	Value
Current ARR	\$500K
Monthly Burn Rate	\$180K
Runway	6 months
Previous Funding	\$1.5M Pre-Seed (friends & family + angels)
Total Raised	\$1.5M
Cash on Hand	\$1.1M
Loan Default Rate	2.1% (vs. industry avg 5%)

Traction & Milestones

- 10,000 signups in 8 months with \$0 paid acquisition (waitlist + referral)
- 1,000 active business accounts processing \$8M/month in transactions
- \$500K ARR achieved in 8 months
- Loan default rate of 2.1% vs. industry average of 5%
- Partnership with Cross River Bank for FDIC-insured deposits

- Featured in TechCrunch and Forbes '25 Fintechs to Watch'
- NPS score of 62 (industry average for SMB banking: 25)
- Waitlist of 8,000+ businesses across 40 states

Competitive Landscape

The SMB neobank space is growing rapidly. Major players target different segments. Mercury focuses on startups, Relay targets SMBs but lacks lending, and traditional banks offer poor digital experiences for small businesses.

Competitor	Differentiation
Mercury	Startup-focused, not designed for traditional SMBs. Beta targets Main Street businesses.
Relay	SMB banking but no lending or credit products. Beta offers integrated working capital.
Brex	Corporate card focused on funded startups. Beta targets bootstrapped SMBs.
Square Banking	Payment-centric. Beta is banking-first with deeper financial tools.

Key Risks

- Regulatory risk in lending and banking partnerships
- High customer acquisition cost in competitive fintech market
- Credit risk from SMB working capital advances in economic downturn
- Dependency on banking partner for core infrastructure
- Need to scale compliance and fraud detection capabilities

Funding Ask

Amount: \$3M

Valuation: \$10M pre-money

Use of Funds:

- Engineering (40%): Build lending infrastructure, expand payment features
- Growth (30%): Launch referral program, partnerships with SMB associations
- Compliance (15%): Hire compliance officer, build AML/KYC automation
- Operations (15%): Customer support, banking partner management