

FinTech Case Study

Columbia FinTech - NY -
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A brief background on this presentation:

This is from a focused case study that analyzes how a FinTech company is responding to the problems and needs of the FinTech domain it is in, and how it is using technology to solve a standing financial problem.

Overview and Origin

Name of Company: Stash
Date Founded: Feb. 2015
Founders: Brandon Krieg,
David Ronick,
Ed Robinson
Headquarters: New York, NY, USA
Domain: Personal Finance and Investment



Source : Crunchbase: <https://www.crunchbase.com/organization/stash-5>

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I selected Stash which is in the FinTech domain of Personal Finance and Investment.

Stash is a private New York-based personal finance and investment platform intended to make saving and investment accessible to everyone. The founders realized that most financial systems can be unfair to smaller investors and they started Stash to help provide unlimited financial opportunity to underserved Americans.

Funding

Initial: Angel Investment \$1.5M (2015)

Latest Round (Series F): 112 Million (April 2020)

Total Investment: \$301.3 M (May 2020)

Source : Crunchbase: <https://www.crunchbase.com/organization/stash-5>

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The company is funded by venture capital, with an initial angel investment round of \$1.5m in 2015. In total, Stash has received \$301.3 million in several series of venture investments, the latest being Series F late stage venture funding of \$112 million, that was led by LendingTree in April 2020.

Business Activities



Provide financial opportunity to underserved Americans to invest in what they believe in.



Banking, investing and advice all in one app



Buy fractional shares of stocks, bonds, and funds with no add on commissions

Source : Stash: www.stash.com

Stash is trying to solve the problem of access to the tools, guidance and confidence needed to grow personal wealth. They are helping to provide unlimited financial opportunity to thousands of underserved lower income Americans. Stash unites banking, investing, and advice all in one app.

Market Demographics

- Target Market: Users have less than \$100,000 in assets
- Average Income of Users: < \$50,000
- Average Age: 29 Years
- 63% of Gen. X and 86% of Millennials in the U.S. (~ 109 million)

Chart Source: CB Insights (<https://www.cbinsights.com/research/stash-invest-lookdown-expert-intelligence/>)

The average age of a Stash user is 29 and average income is less than \$50,000 per year.

According to the latest census data, this is approximately 63% of Generation X and 86% of millennials, or roughly 109M people in the US.

Customer and AUM Growth (Inception - 3Q17)

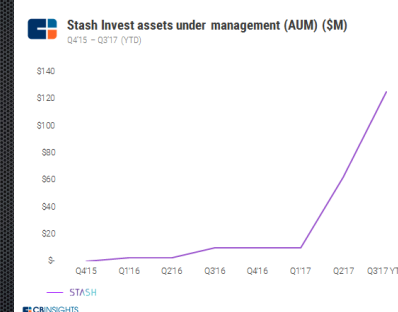
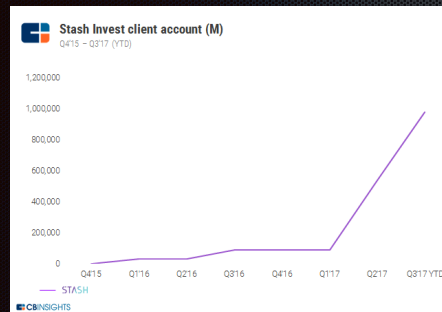
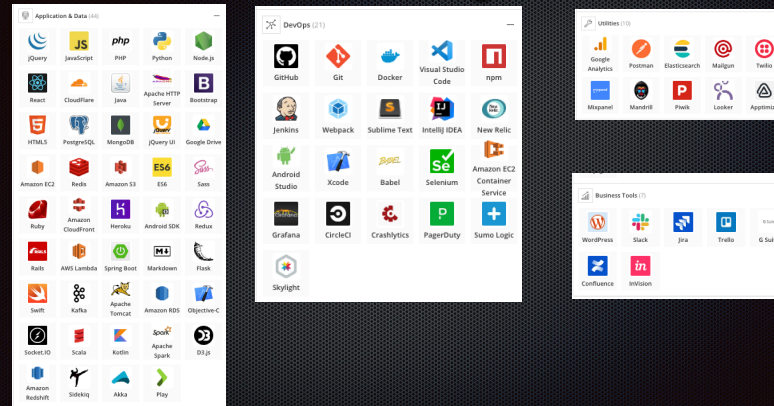


Chart Source: CB Insights (<https://www.cbinsights.com/research/stash-invest-unicorn-exponential-growth/>)

The company saw a big uptick in growth since Q1'17, with AUM growing 531% and customer accounts growing 493%.

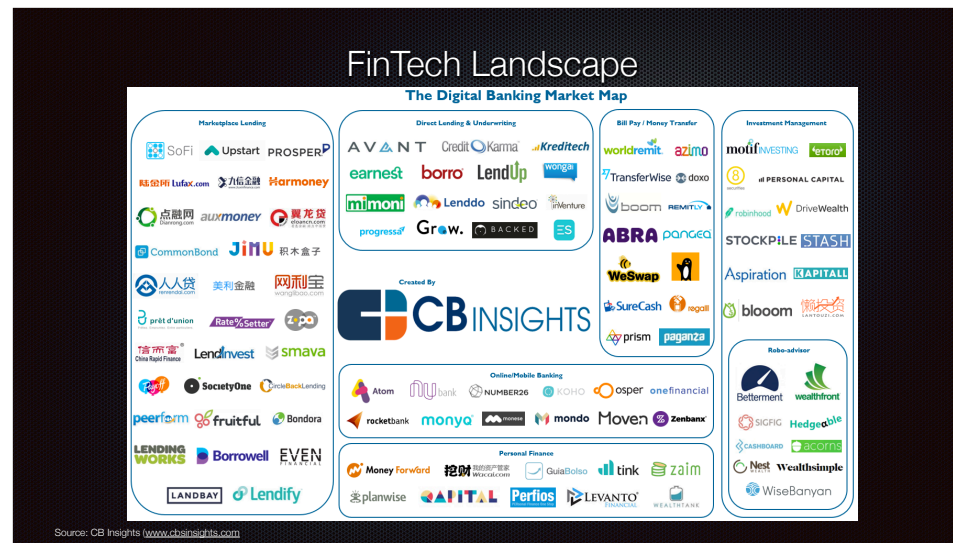
As of April, 2020, Stash has over 4.5 Million users and \$1 billion + in assets under management.

Technologies

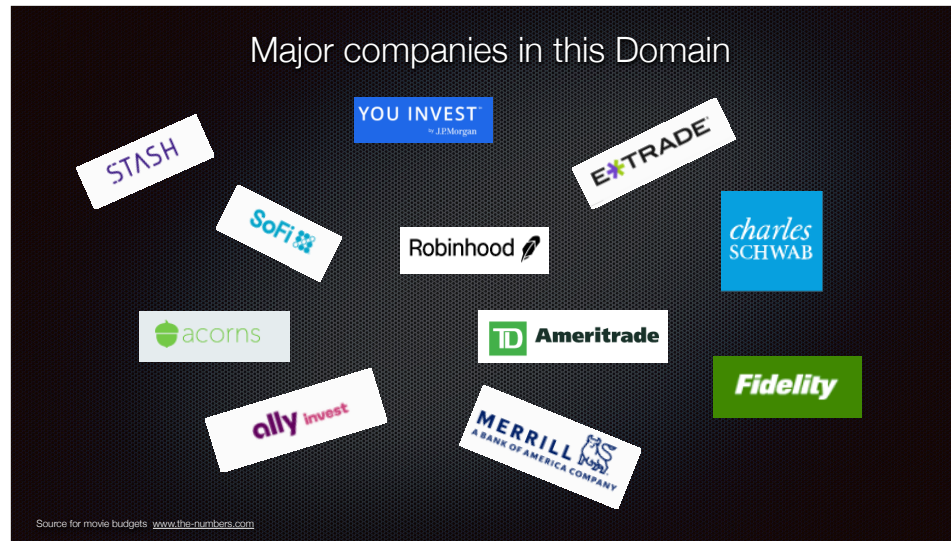


Source: Stack Share <https://stackshare.io/stash/vitash>

Some of the applications, Develops, utilities and business tolls that Stash uses include...



Because FinTech is an evolving field, different FinTech reports may use different names and definitions for various domains and sectors. In my study, I put Stash in the FinTech domain of personal finance and investments. The major trend and innovation in this domain over the last 5 - 10 years has seen a shift in personal finance and investing, where the likes of Mint - a budget tracker and planner (which has since been acquired by Intuit) to the likes of Acorns - a direct competitor of Stash - which started as a "round-up" app that moved extra pennies from credit and debit card purchases into ETFs, to Robinhood that offers free investment trades. The last several years has also seen a rise in Neobanks.



Above shows some of the major companies in this domain.

The effect of all these new emerging FinTech players in the personal finance and investing space, has had a ripple effect among the established discount brokers and even the larger full-service broker-dealers.

For instance, Morgan Stanley bought E-Trade, a discount online broker, to enable it to tap into the smaller-volume trades of the country's so-called mass affluent, people who are wealthy enough to have some savings but not rich enough to buy into hedge funds or seek out a money manager.; And Charles Schwab bought TD Ameritrade as trading fees dropped to zero.

Results

- Simplified stock-picking and trading
- Made high-priced stocks affordable through fractional shares
- Brought younger millennials to the stock market

The Stash logo is displayed within a rectangular box with a vertical gradient from purple at the top to teal at the bottom. The word "STASH" is written in white, uppercase, sans-serif font, centered within the box.

STASH

- Stash has simplified stock-picking and trading by narrowing the investment universe to around 450 stocks and ETFs.
- Has made high-priced stocks like Amazon and Apple be accessible through fractional shares
- 4.5 million users and over \$1 billion in AUM.
- Customer growth: in 2017, Stash had 982,800 customer accounts averaging 1,194 account adds a day since receiving SEC approval. Client accounts skyrocketed following the launch of a B2B service, growing 531% in Q1'17.
- Product strategy: Stash's product differs from the typical Robo-advisor by focusing on letting users invest very small sums, which appeals to people who would otherwise stay out of the market. The company has also emphasized financial education as a means of engaging users.

Business Recommendations

1. 1.1 We recommend adding **cryptocurrencies** on their platform

With over 4.5 million users and \$1 billion+ in assets under management, Stash is in an enviable position and it should fare well in the long term as its business model and large customer base are positioned to support sustainable growth.

By adding Cryptocurrencies, to its services , Stash would be able to compete well in the long term as the incumbents are also strategizing on capturing the same millennial markets.

Business Recommendations Benefits

1.2 Adding Bitcoin and other Cryptocurrencies.

As a digital asset with a store of value, Bitcoin is a durable, non-consumable, zero cash flow, low correlation alternative to traditional assets. Bitcoin is not only uncorrelated to traditional assets such as stocks, bonds and commodities, but also offers true diversification due to its unique risk-return factors not found in traditional markets.

Business Recommendations.....ctd.

1.3 Using Blockchain technology

As Stash already uses some of these technologies on their applications, (such as JavaScript, Python,) these technologies would be appropriate in venturing into blockchain and cryptocurrency trading, as their agility would make its adoption much faster.

Resources

- [Crunchbase](#)
- [Built in NYC](#)
- [Slash](#)
- [CB Insights](#)
- [SmartAsset](#)
- [Pitchbook](#)
- [The Week](#)
- [Quora](#)
- [Stackshare](#)
- [BESTful API](#)
- [Built in NYC](#)
- [Smashing Magazine](#)
- [McKinsey](#)
- [The Balance](#)
- [SmartAsset](#)
- [CB Insights](#)
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- [Investopedia](#)
- [Deribit Insights](#)
- [Oodles Blockchain](#)
- [Nerdwallet](#)
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