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Industry Spotlight: Fintech



About Crunchbase.

Crunchbase is the leading provider of private-company prospecting and research solutions. Over 55 million users—including salespeople, entrepreneurs, investors, and market researchers—use Crunchbase to prospect for new business opportunities. And companies all over the world rely on us to power their applications, making over 3 billion calls to our API each year.

What is fintech?

Fintech is short-form for “financial technology” and includes everything from mobile banking technology to investment apps to cryptocurrency. As one of the most rapidly evolving sectors, fintech has changed significantly since banking technology was first [introduced](#) in the 1860s. Since then, the invention of credit cards, e-trade and online banking has quickly progressed the industry, threatening traditional financial institutions and changing the way people manage their finances.

Why we cover fintech.

At Crunchbase, we are constantly analyzing our growing dataset and thinking about how to contextualize information to better equip people to make informed business decisions. Part of this process includes identifying trends and sharing complicated data insights in an easily digestible way, so you don't need advanced analytics tools or a data science degree to quickly identify and understand industry developments.

Fintech companies hold 16 percent of the spots on the Crunchbase Unicorn Leaderboard, collectively valued at close to \$500 billion, per last known disclosed or reported valuations. Since 2010, investments in fintech have grown more than ninefold, with \$43 billion invested in 2019 alone.

Impact of COVID-19.

With the impact of COVID-19 hundreds of millions of people are changing how they conduct their daily lives. Industries that rely on people gathering to provide a service have been disrupted in a short time frame. Travel, events, restaurants, and retail businesses have been instantly impacted, casting a wider net on services that supply these businesses. Broad adoption of social distancing measures, along with shutdowns of businesses deemed non-essential, impacts a wide array of companies, including manufacturing, construction, logistics, and supply chain.

Investors will be assessing their portfolio companies for risks to their businesses based on a very different consumer and business environment. Consumers will also rely on companies that connect us virtually. As with every sector, some will fare better than others. Companies that rely on the revenue of impacted industries will see shrinking markets. Those whose offerings address real needs in a challenging economy will see more attention.

In financial services the underlying trends towards servicing newer market segments through online services are accelerated by these changes. The trend towards cashless economies is furthered, as businesses stop accepting cash in order to stem the transmission of the virus. Loans are expected to increase, and mortgage refinancings are seeing unprecedented demand. According to [Ryan Gilbert](#) of [Propel Venture Partners](#), “Balance sheet businesses, specifically non-bank lenders are under tremendous pressure to collect on their issued loans and prove that their lending models can actually survive an economic shock like the one we are dealing with. The consumer and small business lending sectors seem to be hit the hardest.”

Companies providing benefits and services to independent workers become important in helping non-W2 workers stay covered during this health crisis. Services for the unemployed will become critical as society addresses those that are most in need of short and longer term support. Retail banks are shuttering their outlets on a short term basis. Will some of these short term closures become permanent as services move online?

The full economic impact of COVID-19 is still too early to tell but a long-term recession or depression seems likely. “B2B companies will need to prepare for frozen sales pipeline for most of this year and longer sales cycles and shrinking budgets in 2021. B2C companies will need to adjust to reductions in consumer spending, greater emphasis on short term cash needs given spiking unemployment, and increased reluctance from consumers to switch financial service providers,” said [Satya Patel](#) founder of seed investor [Homebrew](#). “The hardest hit fintech businesses will be lending businesses that have large outstanding loan balances and that will have to deal with lots of uncertain credit risk. In general, an increasing emphasis on unit economics over growth, will put some companies in a very difficult fundraising position.”

For this report we look at the last decade to provide a lens on the prevailing trends in fintech.

Crunchbase Industry

Spotlight: Fintech

Fintech has been a key arena for investment in the past decade with the rise of challenger banks, innovation in online payments, the changing market around lending and insurance, and the launch of cryptocurrencies. With the impending recession, there will be companies that face a changed market opportunity and do not make it through. However, fintech will continue to lead as a sector, as financial services become more deeply integrated into the consumer mobile experience--a bank in your pocket--along with the growth in services integrating financial products aimed at both consumers and businesses. The next 10 years are going to be more interesting to watch, with the growth of infrastructure and compliance as a service, allowing more players to enter this ecosystem.

Alongside challenger banks in Europe, the U.S., and now Latin America, 2,000 newly funded fintech companies per year are chipping away at services provided by banks and other finance incumbents not limited to checking, transfers, loans, mortgages, brokerage, insurance, and more.

Established public tech companies are building financial products into their services, with [Google](#) offering checking accounts (via Citigroup and small lender Stanford Federal Credit Union), [Facebook](#) launching Facebook Pay to facilitate payments across all its apps, and [Apple](#) launching Apple Card (developed by Goldman Sachs) that is linked to [Apple Pay](#) -- launched back in 2014. In China, where credit card penetration is low, mobile payments represent 83 percent of all payments in 2018, up from just three percent in 2011 led by [AliPay](#) launched in 2004, and [WeChat Pay](#) in

2013. The Chinese government is planning to launch its own state-backed cryptocurrency on the back of the [Facebook Libra mislaunch](#).

The most highly valued private company in the world is [Ant Financial](#) valued at \$150 billion. As of February 2020, 90 companies on the Crunchbase Unicorn Leaderboard (16 percent) are in financial services, collectively valued at close to \$500 billion. Fintech received 16 percent of global venture capital funding in 2019 and 17 percent in 2018, up from 10 percent in 2010.

2020 already exceeds 2019 in exits with the pending Visa acquisition of [Plaid](#) and Intuit acquisition of [Credit Karma](#) leading the way.

Asia leads in payments, Europe in Neobanks, the U.S. in infrastructure, and LatAm in services for the unbanked. Despite the downturn, we will continue to see multiple leading companies in fintech across geographies. Fintech companies will reassess their product offerings in light of business and consumer needs in this changed funding environment.

With this report, we dive into the last decade in fintech funding and exits as we look to the next decade.

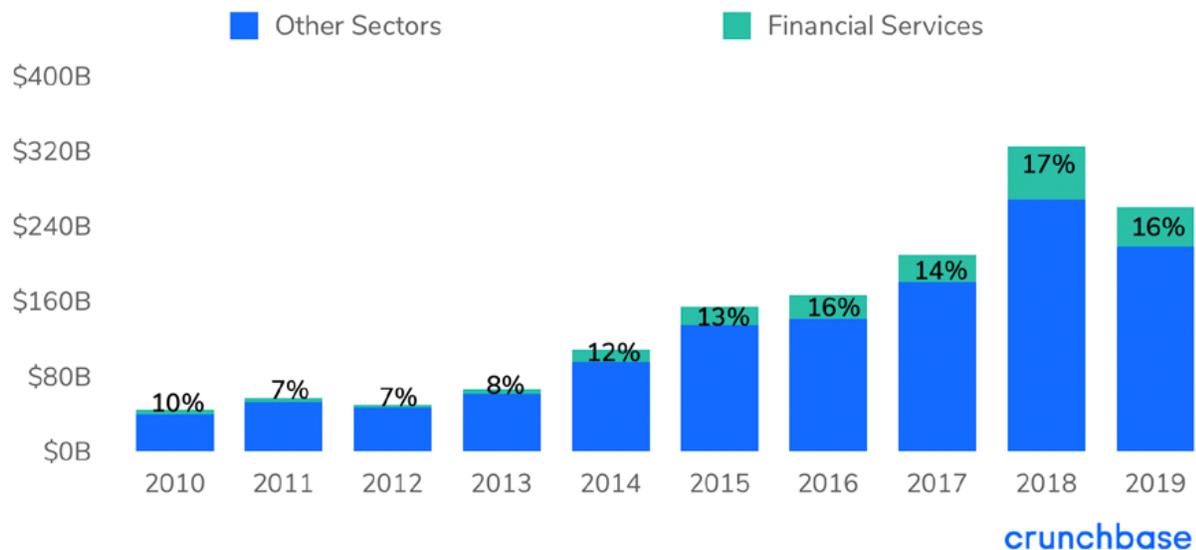
- I. Decade Of Venture Investments Into Financial Services**
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I. Decade Of Venture Investments Into Financial

In 2010 fintech represented 10 percent of total venture funding. Fast forward to 2019, fintech held 16 percent of total venture funding

Financial Services Grows As A Proportion Of Overall Venture Funding

Private Equity Rounds Are Excluded

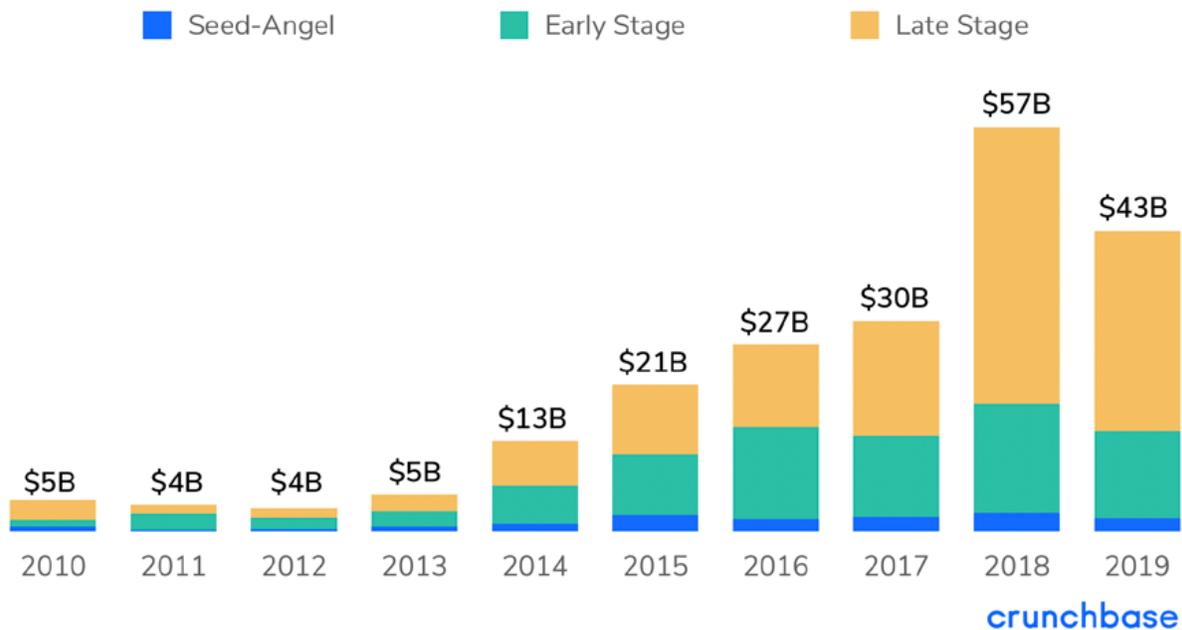


Investments in fintech companies have grown more than ninefold since 2010 and more than doubled since 2015.

- 2019 was the second highest investment year over the last decade with \$43 billion invested in fintech.
- 2018 is an all time high for investment in fintech at \$57 billion, with the largest growth percent year-over-year in late-stage venture. The largest funding round to a fintech company was raised by [Ant Financial](#) -- a \$14 billion Series C round in 2018. (The gap in funding between 2019 and 2018 decreases to \$600 million if you remove Ant Financial's single Series C round from consideration.)

A Decade In Financial Services Dollar Volume

Private Equity Rounds Are Excluded



Financial services companies attracted a greater proportion of late-stage venture funding rounds in 2018 and 2019.

- Seed and early stage investments in fintech were at 34 percent in 2019 and 32 percent in 2018.
- Seed and early stage venture represent a higher proportion of investment dollars, averaging 51 percent from 2010 to 2017.

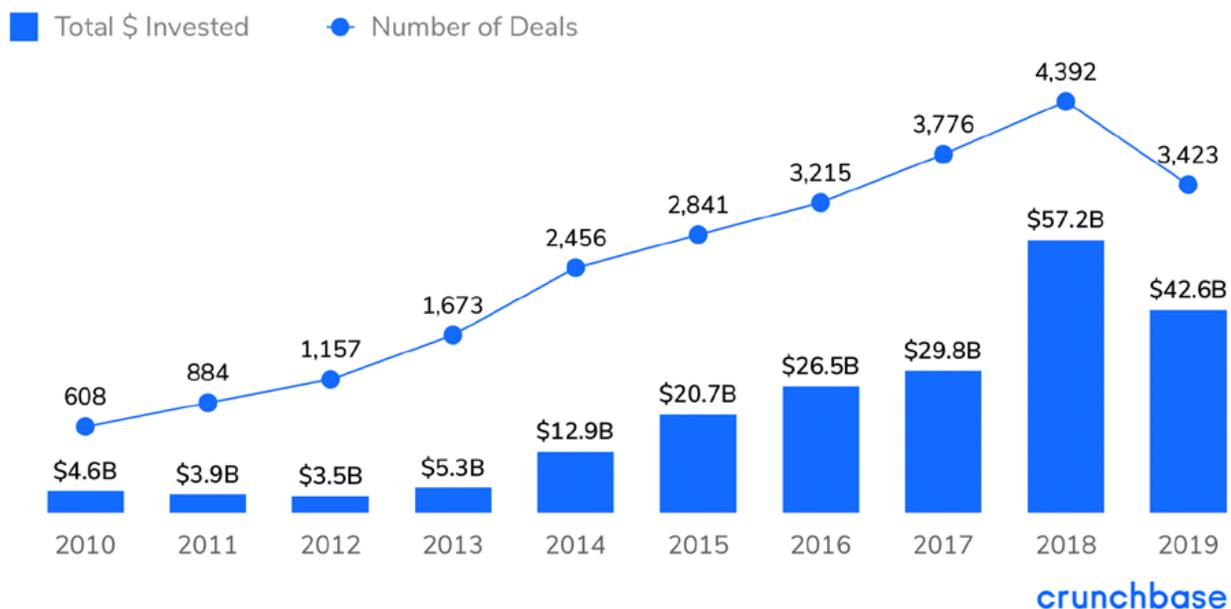


Investments And Deal Count

As of February 2020, year-over-year deal counts were down by 22 percent, but over time will lessen. Much of the difference in funding round counts are attributed to the seed stage -- down 31 percent -- where we see the most reporting delays. At the early venture stage, counts are down by 10 percent. Late stage round counts are down by 5 percent. We fully expect these numbers to go up for 2019 relative to 2018, due to reporting delays. However, 2019 will not exceed 2018 a decade long peak for fintech both in funding count and amount. (Reporting delays for funding amounts are less pronounced in Crunchbase data.)

A Decade In Financial Services Dollar Volume And Deal Count

Private Equity Rounds Are Excluded



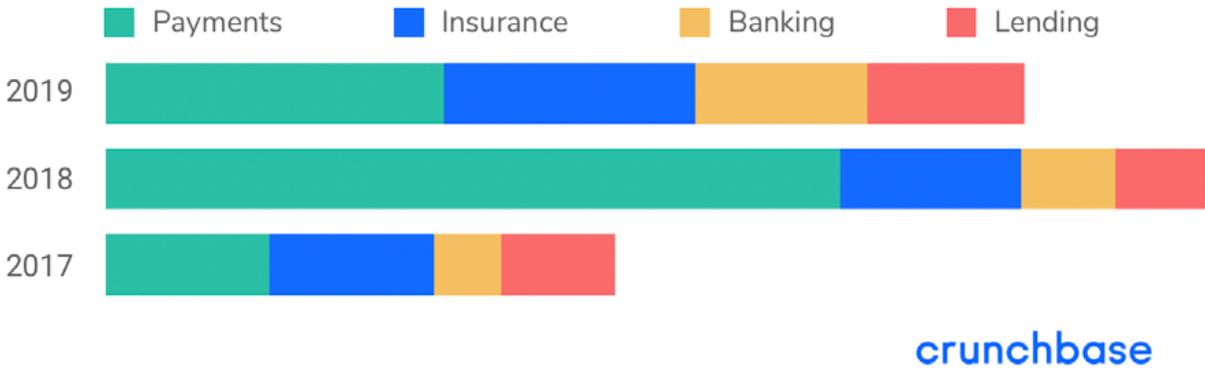
II. Leading Industries: Lending, Banking, & Insurance Grow YoY

Leading financial services industries in 2019 included payments (along with mobile payments), insurance, banking, and lending, respectively. For many companies there is integration between these sectors; for example companies that offer payment and banking services or companies that offer banking and lending products. We assigned companies a single industry for this analysis. Industries that grew year-over-year above 75 percent by invested dollars include lending and banking. Insurance grew over 33 percent. (Payments did not grow year-over-year due to Ant Financial raising \$14 billion in 2018.)



Leading Fintech Sectors For 2019 Companies vs 2018 And 2017

Private Equity Rounds Are Excluded



The companies that led this innovation wave in insurance include [Bright Health](#), [Clover Health](#), [Root](#), and [Lemonade](#) -- all based out of the U.S. in different cities outside of Silicon Valley. In banking, the largest fundings went to Silicon Valley-based [Chime](#), Berlin-based [N26](#), and Brazil-based [Nubank](#). For lending, the largest funding rounds were led by UK-based [Greensill Capital](#) and [OakNorth](#), U.S.-based [Affirm](#), and Australia-based [Judo Bank](#). (See more on these below in the largest funding rounds section).

Large Funding Rounds In 2019

Payments

- India-based [One97](#), parent of mobile payment services company Paytm, raised a Series G round of \$1 billion with funding from [T. Rowe Price](#), [Alipay](#), and [Softbank](#), valuing the company at close to \$16 billion.
- Stockholm-based [Klarna](#), an e-commerce payment solutions platform for merchants and shoppers, raised \$460 million led by [Dragoneer Investment Group](#) valuing the company at \$5.5 billion.
- Vietnam-based [VNpay](#), a payment solutions company, raised a \$300 million round led by [Softbank Vision Fund](#) and [GIC](#).
- San Francisco Bay Area-based [Marqeta](#), a payment card platform for commerce companies, raised a \$260 million Series E led by [Coatue Management](#) valuing the company at close to \$2 billion.
- San Francisco Bay Area based [Stripe](#), a payment processor, raised a \$100 million Series E and separately a \$250 million dollar Series F round in 2019. Investors in the Series F include [Andreessen Horowitz](#), [Sequoia Capital](#), and [General Catalyst](#) valuing the company at \$35 billion.

Banking

- San Francisco Bay Area-based [Chime](#), a challenger bank, which helps members avoid bank fees, raised a \$200 million Series D and a \$500 million Series E both led by [DST Global](#), valuing the company at \$5.8 billion.
- Germany-based [N26](#), which offers mobile banking solutions to customers in the European Union, raised a \$470 million Series D led by [Insight Partners](#) valuing the company at \$3.5 billion.
- Brazil-based [Nubank](#), a new digital bank raised a \$400 million Series F led by [TCV](#) valuing the company at \$10 billion.

Insurance

- Minnesota-based [Bright Health](#), a provider of health insurance products and services raised a \$635 million Series D led by [New Enterprise Associates](#).
- New Jersey-based [Clover Health](#), a new health insurance company, raised a \$500 million Series E led by [Greenoaks Capital](#).
- Ohio-based [Root](#), a car insurance company that offers personalized, affordable coverage in an app, raised a \$350 million Series E led by [DST Global](#) and [Coatue Management](#) valuing the company at \$3.65 billion.
- New York-based [Lemonade](#), a full stack insurance company powered by AI and behavioral economics, raised a \$300 million Series D led by [SoftBank](#).

Lending

- UK-based [Greensill Capital](#), a provider of structured working capital financing to businesses globally, raised \$800 million and then a further \$655 million led by [SoftBank Vision Fund](#).
- UK-based [OakNorth](#), a credit platform for small businesses globally, raised \$440 million led by [SoftBank Vision Fund](#) and the [Clermont Group](#).
- San Francisco Bay Area-based [Affirm](#), a financial technology services company that offers installment loans to consumers at the point-of-sale, raised a \$300 million Series F led by [Thrive Capital](#).
- Australia-based [Judo Bank](#), a lender powered by technology providing personal service to SMEs, raised a \$276 million Series B with new investors [Bain Capital Credit](#) and [Tikehau Capital](#).

Wealth Management

- San Francisco Bay Area-based [Robinhood](#), a stock brokerage that allows customers to buy and sell U.S. stocks, options, ETFs, and cryptocurrencies with zero commission, raised a \$323 million Series E led by [DST Global](#) valuing the company at \$7.6 billion,
- San Francisco Bay Area-based [Carta](#), a company building a global ownership management platform to help companies, investors, and employees manage their equity, raised a \$300 million Series E led by [Andreessen Horowitz](#) valuing the company at \$1.7 billion.

III. Growth In Leading Countries

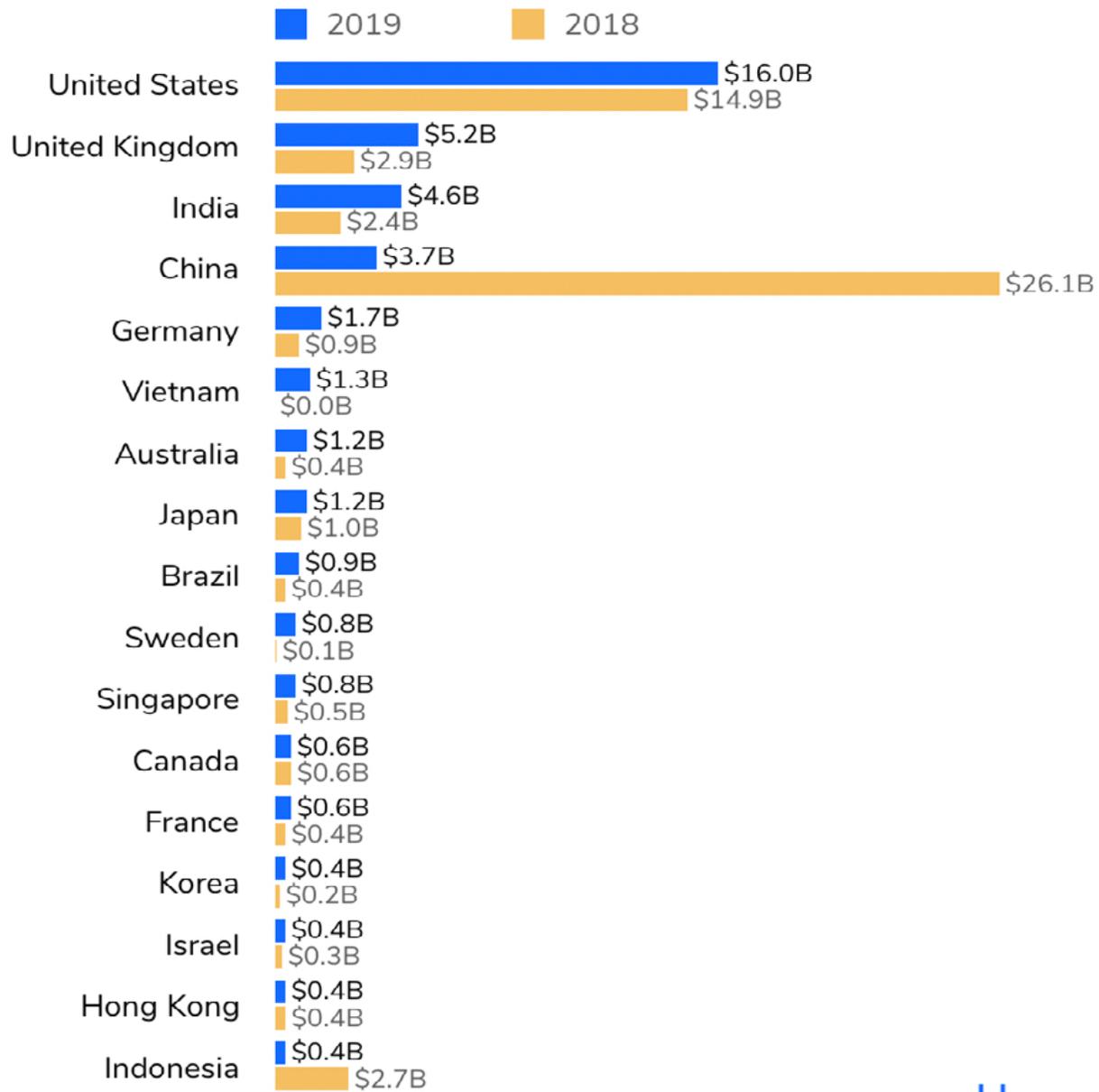
In 2019, fintech companies raised \$16 billion across 1,057 companies in the U.S., \$5.2 billion across 342 companies in the U.K., \$4.6 billion across 199 companies in India, and \$3.7 billion across 147 companies in China. Germany rounds out the top five with \$1.7 billion raised across 83 companies. Singapore raised \$0.8 billion, but with more companies at 106.

With the upswing in investments over 2018 and 2019 in financial services, we look at growth by country year-over-year. Fourteen of the top 17 countries grew in investment dollars year-over-year.

Countries with year-over-year growth in fintech funding from 2018-2019 between 75 and 100 percent include India, Germany, and the U.K. The countries that grew the most off of a very low amount in 2018 include Vietnam, Sweden, Australia, and Brazil. For the largest two markets in fintech, U.S. funding was up by eight percent year-over-year, and China fintech funding was down 86 percent year-over-year from 2018-2019-- though invested dollars were fairly close.

Top 17 Countries Dollar Volume In Financial Services 2019 vs 2018

Private Equity Rounds Are Excluded



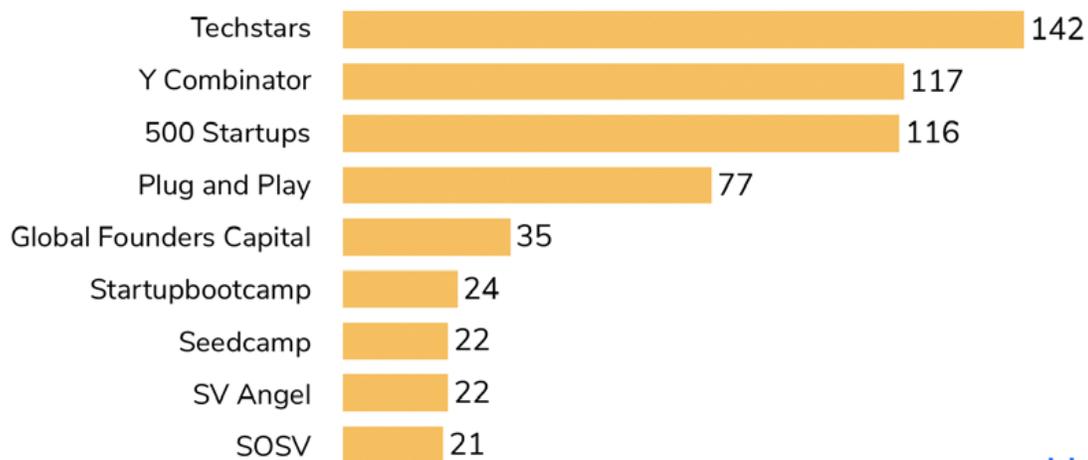
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IV. Active Seed And Venture Investors

With the increased investment activity in 2018 and 2019, we thought it would be of interest to review the most active investors at the seed and venture stages.

At the seed stage, [Techstars](#), [Y Combinator](#), and [500 Startups](#) led in the number of fintech portfolio companies invested in over 2018 and 2019. Alongside leading accelerator programs three seed stage investors top this list along with [Global Founders Capital](#), [Seedcamp](#), and [SV Angel](#).

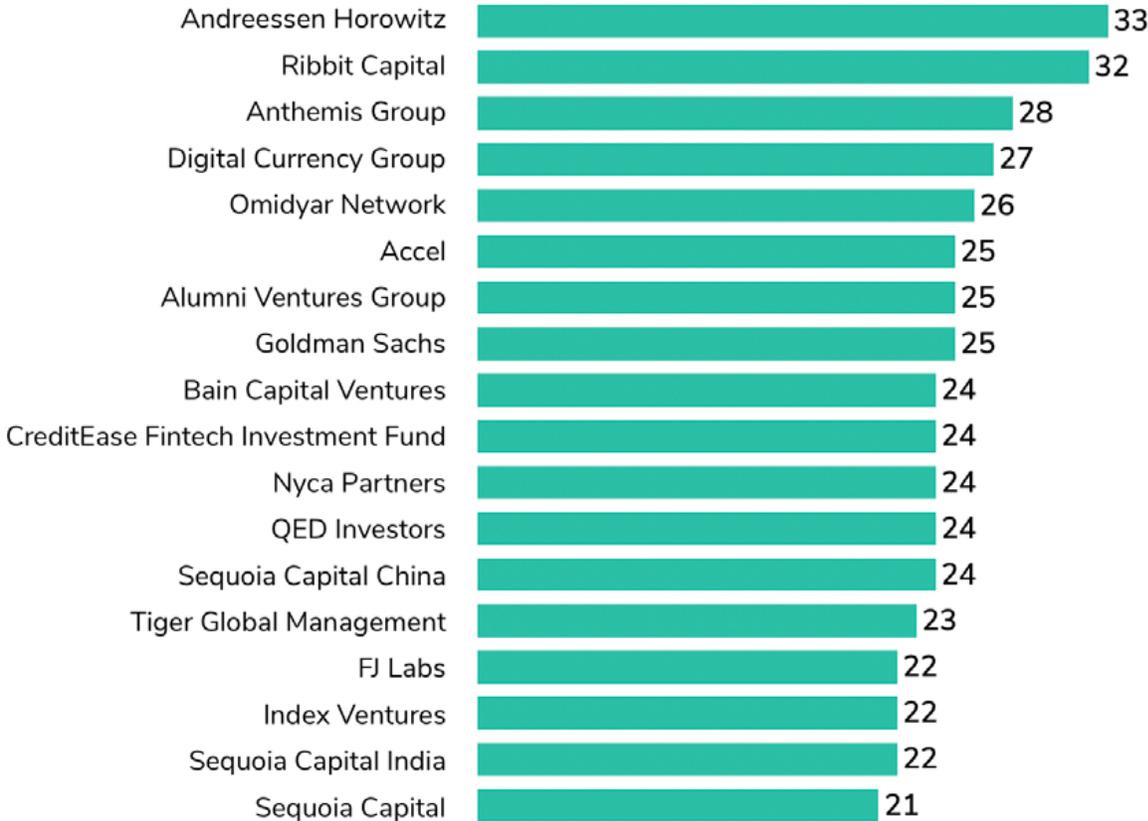
Active Seed Investors In Fintech Companies By Portfolio Count (2018 to 2019)



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The most active venture and private equity investors are geographically diverse and represent a mix of leading venture firms, fintech-focused investors, corporate venture, and late-stage alternative investors. Leading by the number of portfolio companies in 2018 and 2019 were Silicon Valley-based [Andreessen Horowitz](#), with a dedicated fintech practice, and [Ribbit Capital](#) which invested globally in companies aiming to disrupt financial services. Third on the list was [Anthemis Group](#), which focused on financial services based in London, U.K., and New York-based [Digital Currency Group](#), which invests in blockchain. Silicon Valley-based philanthropic investment firm [Omidyar Network](#) rounds out the top five. Sequoia Capital in [China](#), [India](#) and the [U.S.](#) are all active investors in fintech, largely in distinct portfolio companies.

Active Venture/PE Investors In Fintech Companies By Portfolio Count (2018 to 2019)



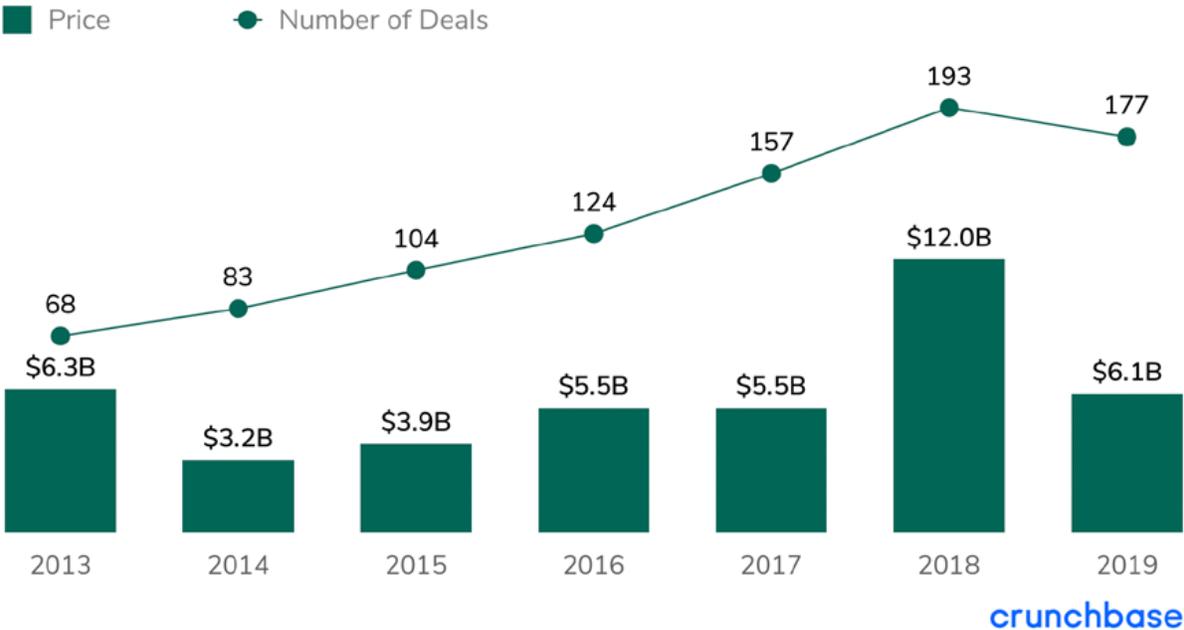
V. Large Exits In 2019

With the increase in funding for fintech companies in 2019, liquidity remains a concern. 2020 kicked off with two large acquisitions subject to regulatory approval. [Visa](#) announced the acquisition of [Plaid](#) for \$5.3 billion, and [Intuit](#) plans to acquire [Credit Karma](#) for \$7.1 billion. These two deals in early 2020 already surmount 2019 acquisitions, in which 177 fintech companies were acquired for a total of \$6.1 billion.

In contrast, 2018 had 193 acquisitions totaling \$12 billion. (For merger and acquisition (M&A) activity data we selected venture-backed companies. We also excluded companies who had previously gone public.)

Financial Services Acquisitions By Year

Only Includes Venture-backed Companies That Have Not Previously Gone Public. The Majority Of Acquisitions Do Not Include Dollar Amounts.



We anticipate more M&A activity in fintech in 2020. The largest acquisitions in 2019 include:

- [iPipeline](#), a provider of sales distribution software to insurance and financial services companies, was acquired by [Roper Technologies](#) for \$1.6 billion.
- [Kony](#), a mobile application developer for fintech companies, was acquired by [Temenos](#) for \$559 million.
- [PrecisionLender](#), which provides information for banks to accurately price a loan to a borrower, was acquired by [Q2eBanking](#) for \$510 million.
- [Ebury](#), which allows small and mid-size companies to make and receive payments in foreign currencies, was acquired by [Banco Santander](#) for \$451 million.
- [Wave](#), which enables payments and payroll for small businesses, was acquired by [H&R Block](#) for \$404 million.

VI. 90 Fintech Unicorns

With 580 global private unicorns, 90 (16 percent) are in financial services as of February 2020. Collectively, fintech unicorns have raised \$76 billion and are valued at close to \$500 billion. The most highly valued fintech unicorns include [Ant Financial](#), [Lu.com](#), [JD Digits](#), and [Bitmain](#) from China, [Stripe](#) and [Ripple](#) from the U.S., [One97](#) from India, and [Nubank](#) from Brazil.

[ANT Financial](#)

Ant Financial is an online payment services provider that enables individuals and businesses to execute payments online in a secure manner.

- Raised: \$18.5 billion
- Post Money Value: \$150 billion
- Location: Hangzhou, China

[Lu.com](#)

Lu.com is an online marketplace for trading of financial assets.

- Raised: \$3 billion
- Post Money Value: \$39 billion
- Location: Shanghai, China

Stripe

Stripe is a global technology company that builds economic infrastructure for the internet.

- Raised: \$1 billion
- Post Money Value: \$35 billion
- Location: San Francisco, U.S.

JD Digits

JD Digits (formerly JD Finance) works to connect financial and physical industries with digital technology.

- Raised: \$5 billion
- Post Money Value: \$18 billion
- Location: Beijing, China

One97 Communications

One97 delivers mobile content and commerce services to its customers.

- Raised: \$4.4 billion
- Post Money Value: \$16 billion
- Location: Noida, India

Bitmain

Bitmain is a design and manufacturer of high performance computing chips and software.

- Raised: \$765 million
- Post Money Value: \$12 billion
- Location: Beijing, China

Ripple

Ripple allows users to send money globally using the power of blockchain.

- Raised: \$292 million
- Post Money Value: \$10 billion
- Location: San Francisco, U.S.

Nubank

Nubank issues, administrates, processes, and transfers payments related to post-paid credit cards and equity investment in other entities.

- Raised: \$725 million
- Post Money Value: \$10 billion
- Location: São Paulo, Brazil

VII. Investor Predictions

For this report we spoke with numerous investors focused specifically on financial services as an area of innovation.

“Expect to see many software companies, digital marketplaces and commerce companies across industries introduce financial products that drive down costs or create new revenue streams for customers by leveraging API-based technologies offered by fintech startups.” [Satya Patel](#), Homebrew

“Fintech is driving new business models as opposed to being a business model in its own right,” according to [Ryan Gilbert](#) at Propel Venture Partners. “More and more categories will include fintech elements in order to be competitive. For e-commerce trends, or new ways of servicing verticals-- for example cosmetics, hairdresser and barbershop verticals--these booking systems are providing full operating systems for large parts of the economy.”

“More focus will be placed on B2B products and services that shore up the foundation for B2C fintech startups and traditional financial services companies. Instead of emphasizing growth, companies will try to operate more securely and efficiently. Key areas include compliance, servicing and identity.” [Satya Patel](#), Homebrew

“We believe one of the most important trends in fintech is the rise of a new generation of financial infrastructure companies (akin to AWS or Google Cloud Services). These financial infrastructure companies -- like Galileo and Marqeta -- are enabling any business to offer financial products (like debit cards, overdraft protection, savings plans, or credit). As a result, new

'fintech' brands - like Chime, Sofi, or Divvy - are growing faster than ever since they no longer have to build core banking products themselves; these products are accessible via APIs." [Cherry Miao](#), Accel

"The sharing economy, in certain parts of the world, is breaking into fintech way beyond the expectations." said [Ryan Gilbert](#) of Propel Venture Partners. "This is driven in part by peer to peer transactions in payments, lending and insurance."

"Although we are in uncertain times due to COVID-19, the market dynamics remain interesting in LatAm, particularly in Brazil and Mexico. Both are still substantially cash-based economies with mobile phone penetration over 70 percent, so there is an opportunity to deliver digital financial services tailored for consumer and small to midsize enterprise (SME) audiences that fill the gaps left by traditional financial institutions that often require in-person interaction for delivery of financial services products." [Michael Sidgmore](#), Broadhaven Ventures.

"All of the fintech companies with products that have achieved significant consumer scale will work to introduce complementary products, such as savings, debit, credit, lending and investing, to round-out their offerings and to drive customer engagement and loyalty." [Satya Patel](#), Homebrew

Methodology

This report is based on data in Crunchbase as of Feb. 27, 2020.

Industries in Crunchbase are not exclusive. A company can be in more than one industry and in more than one industry group.

For Financial Services we include the following leading industries: Banking, Insurance (InsurTech), Lending, Payments (Mobile payments), Personal Finance, and Wealth Management.

All Financial Services Industries Accounting, Angel Investment, Asset Management, Auto Insurance, Banking, Bitcoin, Commercial Insurance, Commercial Lending, Consumer Lending, Credit, Credit Bureau, Credit Cards, Crowdfunding, Cryptocurrency, Debit Cards, Debt Collections, Finance, Financial Exchanges, Financial Services, Fintech, Fraud Detection, Funding Platform, Gift Card, Health Insurance, Hedge Funds, Impact Investing, Incubators, Insurance, InsurTech, Leasing, Lending, Life Insurance, Micro Lending, Mobile Payments, Payments, Personal Finance, Prediction Markets, Property Insurance, Real Estate Investment, Stock Exchanges, Trading Platform, Transaction Processing, Venture Capital, Virtual Currency, Wealth Management

For this report we look at reported--not projected data, which means that 2019 numbers will increase over time, relative to previous years. Private market financing data is subject to reporting delays. Numbers may have changed since publication as more data gets added to Crunchbase.

Please note that all funding values are given in U.S. dollars unless otherwise noted. Crunchbase converts foreign currencies to U.S. dollars at the prevailing spot rate from the date funding rounds, acquisitions, IPOs and other financial events are reported. Even if those events were added to Crunchbase long after the event was announced, foreign currency transactions are converted at the historic spot price.



Glossary of Funding Terms

- Seed/Angel includes financings that are classified as a seed or angel, including accelerator fundings and equity crowdfunding \$3 million and below.
- Early stage venture includes financings that are classified as a Series A or B, venture rounds without a designated series that are above \$3 million and equal to or below \$15M.
- Late stage ventures include financings that are classified as a Series C+ and venture rounds without a designated series greater than \$15M.
- Note: Fundings denoted by Crunchbase as private equity are not included in this report.

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- [Satya Patel](#) Founder, Homebrew
- [John Locke](#) Partner and [Cherry Miao](#), Accel
- [Ryan Gilbert](#) Partner, Propel Venture Partners
- [Michael Sidgemore](#) Partner, BroadHaven Ventures,
- [Howard Lindzon](#) Founder & General Partner, Social Leverage