



Bocconi Students Fintech Society

Fintech in Numbers – Europe vs USA

Recap on Fintech Investments in 2019/20 + Outlook

M&A Division

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Fintech Investments in Europe – 2019 vs 2020



In 2019, \$58 billion investments with 753 deals have been made, in 2020 they plunged

2019



The **top fintech deals** in Europe in 2019 were **diverse both geographically and from a solutions perspective.**

After **Worldpay**¹⁾ (UK), among the next three largest deals we find the acquisition of digital asset trading company **AliExchange**²⁾ in Estonia for \$2.1 billion, the buyout of alternative investment software company **eFront**³⁾ in France for \$1.3 billion.

Median Venture Capital deal sizes in Europe increased significantly in 2019, there were numerous \$100 million funding round.

2020



Total fintech investment in the **EMEA** region **dropped** from \$61.5 billion in 2019 to \$14.4 billion in 2020, in part due to a major decline in large scale M&A activity.

However, **VC investment in Europe remained strong**; a record Q3'20 of over \$3 billion helped propel EMEA to an annual record high of \$9.3 billion. Europe was the theatre of most of fintech investment⁴⁾ in EMEA, while the fintech ecosystems in the Middle East and Africa continued to grow.

Fintech is one of the few sectors that has remained solvent and profitable. The movement to cloud based services has made the demand for technology and fintech higher than ever.

1) Fidelity National Information Services Inc. (FIS) bought Worldpay for about \$35.0 billion – striking the biggest deal to date in the electronic payments industry (Reuters)

2) FoPay bought AliExchange for about \$2.1 billion (FoPay)

3) BlackRock bought eFront for about \$1.3 billion (Bloomberg)

4) NEC bought Avaloq for about \$2.2 billion (Financial Times), Klarna announced \$650 million funding round to further accelerate global growth (Klarna), Revolut announced \$500 million funding round to bolster its offering in existing markets and expand into lending – making Revolut and Klarna the most valuable fintechs in Europe (CNBC)

Fintech Investments in Europe – Klarna



Klarna announced a \$1.0 billion funding round closing at a post-money valuation of \$31.0 billion, making it the highest-valued private fintech in Europe and the second highest worldwide.

Transaction Rationale

Fundraising provides Klarna with **additional firepower for possible M&A**

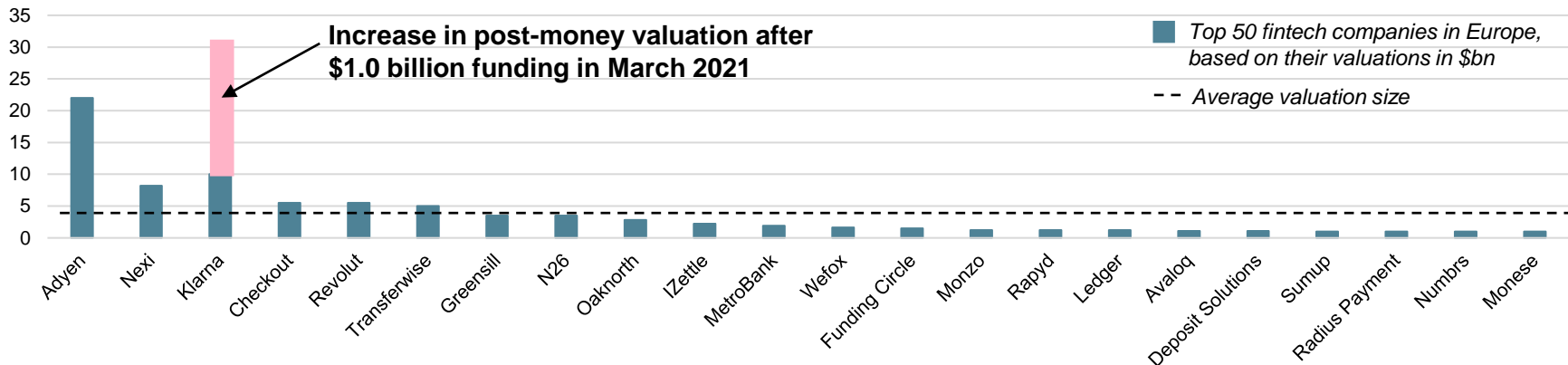
Opportunities in other areas of retail banking, where targets would benefit immensely from Klarna's 90 million userbase

Planned to **go public in the next one to two year** through a **direct listing** to cut out the fees given to investment banks

Buy now.
Pay later.
No fees.

Klarna.

Capital injection six months after \$650 million funding with \$10.65 billion valuation; 4x oversubscribed round included a combination of new and existing investors



Sources: Financial Times, TechCrunch, Finovate, Finextra

Fintech Investments in Europe – Outlook



The financial technology sector will see an increase in number and value of investments

2021 Outlook

VC funds most active: \$5.3 billion raised in 2020 by the financial technology sector, in 2021 perspectives even more favourable, with \$2.0 billion already raised. Covid has prompted to switch to **digital payments and to Neobanks**. Financial services negatively impacted by decrease in consumer spending; on other hand there will be a **positive impact due to digitalisation trend**. Sectors that will not promote cost savings will suffer in the future.

Market Impact by Pandemic

Fintech is one of the few sectors that has remained solvent and profitable. The **movement to cloud based services** has made the demand for technology and fintech higher than ever. Another important factor is the digitalization, **where fintech could help other industries catching up with structural changes**

BankingTech



International payment fees reduced due to decrease of travelling

LendingTech



Crisis: deterioration in credit quality, and credit risk to high

WealthTech



personal finance apps boosted by demand to make savings linked to staying home; time to deal with personal finance at home

PayTech



Loyalty business and point-of-sale suffering and online payment business benefit

InsurTech



Less impacted by crisis, problem in seeing insurance as discretionary

Sources: KPMG Fintech Pulse Report 2020, PwC Global M&A Industry Trends

Fintech Investments in the USA – 2019 vs 2020



In 2019, \$41.3 billion 2019, with 748 deals have been made. In 2020, \$3.0 billion (H1), the industry had seen 665 fintech M&A deals

2019



US banks averaged just three or four fintech deals per year through 2017, but **deal volume exploded in 2018** with **16 transactions**, and the first half of 2019 saw nine fintech deals⁵⁾. A good example of 2019 flagship deals is **Goldman Sachs' acquisition of United Capital and its digital customer-service platform** to add an advisor-led tech-enabled platform to the bank's growing suite of digital offerings.

2020



As of February 2020, there were **10,605 financial technology (Fintech) startups** in the Americans, making it the **region with the most Fintech startups globally**. Going forward, US banks will require a smart strategy and the right integration approach to fully **realize value creation potential in M&A⁶⁾**.

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Sources: McKinsey, Norton Rose Fulbright, Fintech Futures

5) Major deals: Fiserv acquisition of First Data for \$22.0 billion, Sophos acquisition of America's Thoma Bravo for \$3.8 billion, Thoma Bravo acquisition of Ellie Mae for \$3.7 billion

6) Major deals: Visa acquisition of Plaid for \$5.3 billion, Worldline acquisition of Ingenico for \$8.6 billion, SoFi acquisition of Galileo for \$1.3 billion, American Express acquisition of Kabbage (undisclosed deal value), PNC acquisition of BBVA's US arm for \$11.6 billion creating the 5th largest Bank

March 20, 2021

Fintech Investments in the USA – Stripe

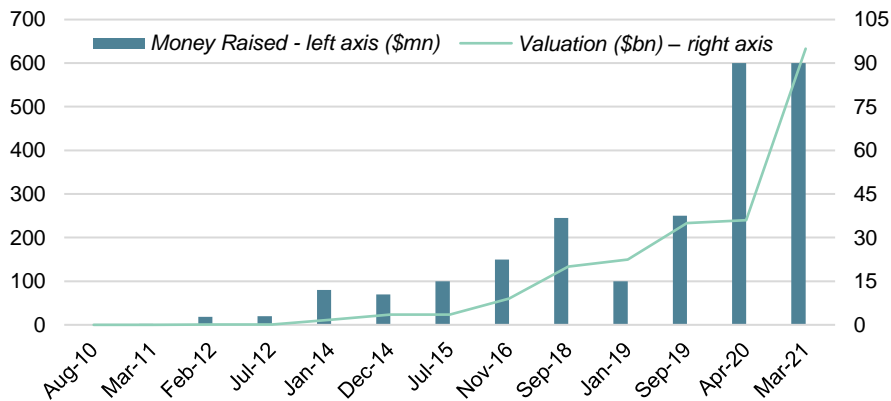


Stripe's valuation soars to \$95.0 billion after \$600 million fundraising, making it the most valuable private company Silicon Valley has ever produced

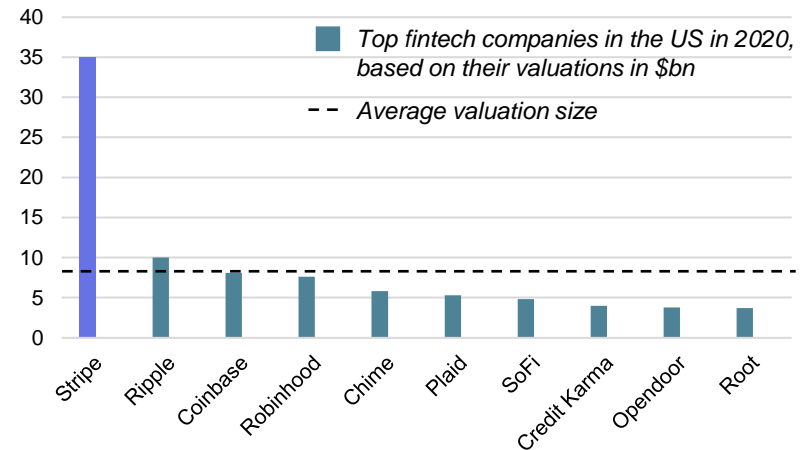
Transaction Rationale

Use funding to **invest in European operations**, and Dublin headquarters by **supporting the surging demand** from enterprise heavyweights across Europe and **expanding its Global Payments and Treasury Network**

Before closing this funding, the San Francisco based firm had raised about \$1.6 billion in 14 rounds. It has now raised \$2.2 billion in 15 rounds



Stripe's valuation has increased 3x in less than a year, surpassing those achieved by Facebook and Uber before their respective Initial Public Offerings



Sources: Financial Times, Stripe Newsroom, MarketWatch, Crunchbase, Statista

Fintech Investments in the USA – Outlook



In 2020 (H1) deals in M&A plummeted to less than \$3.0 billion, VC investments were resilient with activity of \$12.9 billion. The payments space was the hottest sector for VC investments⁷⁾

2021 Outlook

In a recent report for North American fintech, Fitch Ratings established that the **sector fundamentals should prove resilient** next year, despite pandemic-related issues likely to bring significant operational problems in the region. Key areas of **fintech are likely to feature prominently** during 2021.

Market Impact by Pandemic

In 2020 fintech companies in the **payment space have seen their usage and customer base grow**, the **digital lending companies have been severely impacted** because of COVID. In a survey urgent access to liquidity facilities and to a stimulus package were the most cited government interventions for fintechs from North America.

Digital Banking



People confined to their homes, demand to visit brick-and-mortar establishments plummeted

Contactless Payments



Shift to social distancing, pandemic driving global trend of contactless digital payments

Digital Currencies



After years of sedate activity, the cryptocurrency space saw an increase of interest

Artificial Intelligence



Fintech apps will continue to utilize AI more broadly than has been the case to date

Wealth-tech



People at home and significant stimulus checks, platforms like Robinhood gathered momentum

Sources: KPMG Fintech Pulse Report 2020, Fitch Ratings 2021 Outlook, World Economic Forum Global Covid Fintech Market Assessment Study 2020

7) Major deals: Stripe raising \$850 million, Chime \$700 million, and B2B payments company AvidXchange raising \$388 million

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