PitchBook

EMERGING TECH RESEARCH

Fintech

Q1 2021 VC update

Contents

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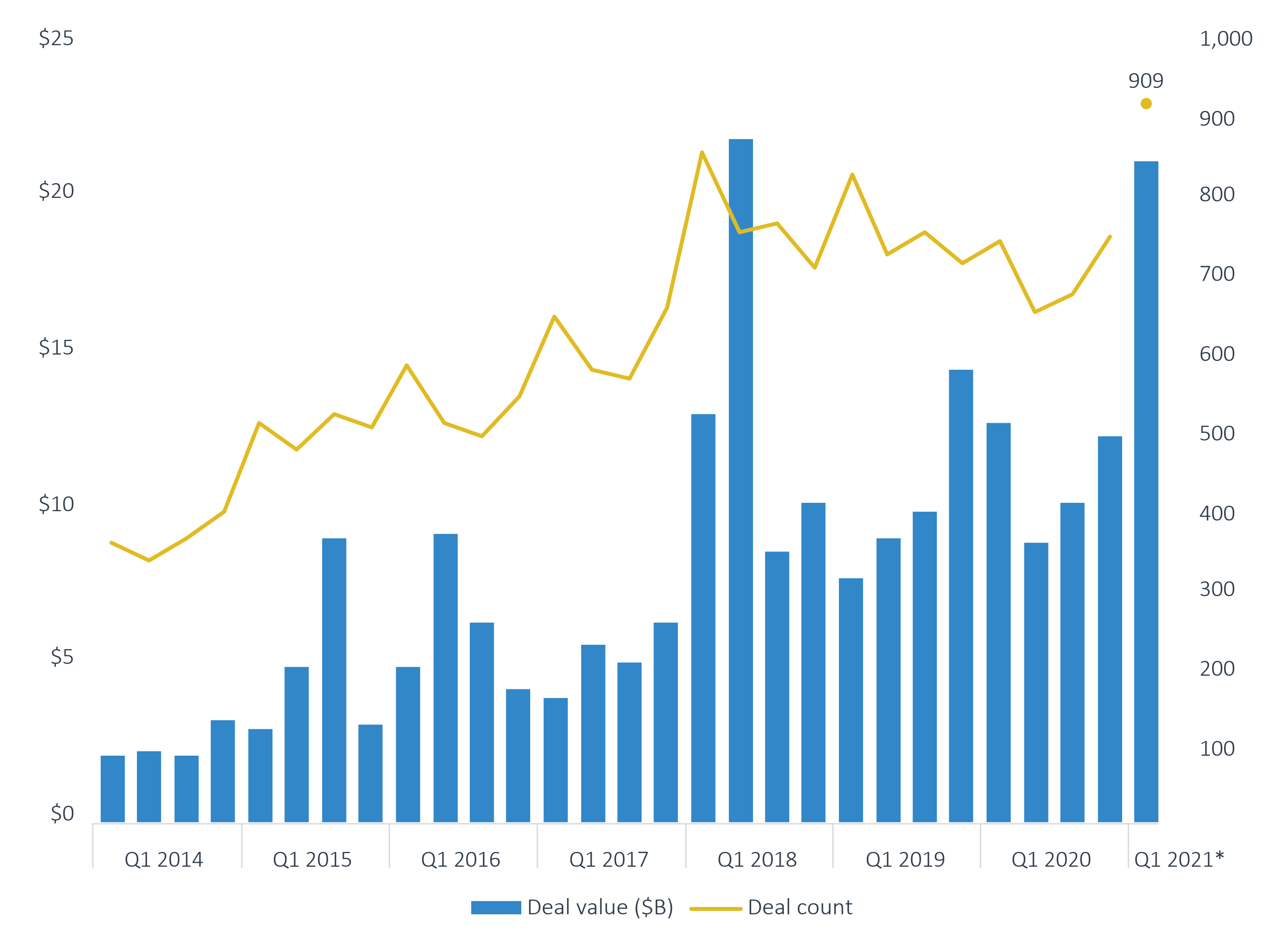
This report serves as a quarterly snapshot of the fintech vertical in Q1 2021. For a comprehensive, detailed analysis of the fintech industry by segment, please see our latest **annual edition.**

Vertical overview

The financial services sector has largely benefited from the COVID-19 pandemic as governments and central banks took cues from the global financial crisis (GFC) and flushed cash into the global economy. Many big banks that set aside loan loss provisions in the pandemic's early days never saw those losses materialize. Consumers used government stimulus to repay debts, while many businesses were granted government-guaranteed loans serviced by the private banking system. The velocity of capital deployment also flowed in the capital markets, where trading volumes increased across virtually all asset classes, thereby generating significant fees to banks, brokerages, and other trading intermediaries. This development has led the Dow Jones US Financial Services Index to return 77.0% over the 12 months ended March 31, 2021, versus 60.8% for the S&P 500 index.

The ongoing shift of financial services toward digitization and online channels accelerated over the past year, benefiting fintech companies that predominantly operate within digital ecosystems. Mobile payments, slow to gain adoption in the US, jumped 29.0% in 2020.[1] Partly due to lockdown boredom, retail investors flocked to mobile trading apps, thus leading to a jump in average US equities trading volume of 92% YoY in January 2021.[2] These industry tailwinds will continue to drive investment capital into fintech companies across both private and public markets. While some areas of fintech—such as buy-now, pay-later (BNPL) and real estate lending platforms—are maturing and will attract mostly growth and public capital, other areas—such as decentralized finance (DeFi) and autonomous finance—have just begun raising early-stage institutional capital. These trends have coincided with ongoing transformations within the financial ecosystem—particularly in payments (such as real-time payments), capital markets (such as real-time settlement), and banking (such as core banking migration). This convergence has driven significant investments from all stakeholders—including financial institutions, governments, and corporations.

Figure 1. FINTECH VC QUARTERLY DEAL FLOW



Source: PitchBook | Geography: Global | *As of March 31, 2021

1: **"US Payment Users Will Surpass 100 Million This Year," eMarketer, eMarketer Editors, March 30, 2021.**
2: Piper Sandler analyst call, January 2021.

Q1 2021 timeline

NEWS

January 11, 2021
Walmart announces a new fintech venture in partnership with **Ribbit Capital**. The aim is to develop new fintech products for Walmart's retail customers. The company later hired two Goldman Sachs Marcus executives to run the unit.

IPO

January 13, 2021
BNPL provider **Affirm** goes public in the largest fintech exit on record to date, with an exit size of $10.7 billion. The other major BNPL on the market, **Klarna**, is also expected to exit in 2021.

VC DEAL

January 29, 2021
Robinhood is forced to raise $3.4 billion from existing investors as the trading frenzy around meme stocks such as GameStop and AMC Theatres presents liquidity issues for the fintech brokerage.

NEWS

February 19, 2021
Corporate card provider **Brex** announces it has filed for an industrial bank charter with the FDIC, thus continuing an ongoing trend of fintech companies pursuing bank charters.

NEWS

March 1, 2021
Goldman Sachs restarts its cryptocurrency trading desk—offering bitcoin futures and other digital assets to clients. Institutional adoption of cryptocurrency is accelerating after **BNY Mellon** began offering custodial services for the asset class earlier in the quarter.

VC DEAL

March 14, 2021
Stripe raises a $600.0 million Series H, which will likely be its final private market round as it prepares for a 2021 IPO. Participation from **Axa** and **Allianz** signals that commercial insurance could be the next area of expansion for the payments company.

Jan 1 | Feb 1 | Mar 1 | Mar 31

Q1 VC DEAL COUNT SUMMARY

909
total deals

22.7%
QoQ growth

23.3%
YoY growth

Q1 VC DEAL VALUE SUMMARY

$21.0B
total deal value

70.7%
QoQ growth

65.4%
YoY growth

Fintech VC ecosystem market map

Click to view interactive market map on the PitchBook Platform.

Market map is a representative overview of venture-backed or growth-stage providers in each segment. Companies listed have received venture capital or other notable private investments.

Alternative lending

Retail & marketplace lending
fair, Prodigy Finance, AVANT, auxmoney, lendingUSA, ZOPA, commonbond, PROSPER, Lendify, MOSAIC

Commercial lending
CLEARCO, QuarterSpot, october, iwoca, ofBusiness, konfio, CAPITAL FLOAT, Fundbox, ApplePie Capital, LENDINGKART

Real estate lending
Better, lendinvest, LOANPAL, PLUM, LendingHome, brighte, creditas, EasyKnock, DIVIDEND, ATHENA

Underwriting & credit scoring
blend, ZEST AI, Wecash, Ice Kredit, Wiseco 睿智科技, Nav, 中诚信征信, NOVA CREDIT, PAYJOY, Perfios

Microlending
branch, TALA, AYE [आय], earnin, Mynt, brigit, WAGESTREAM, GAIN CREDIT

Capital markets

Alternative capital
SECFI, carta, Forge, PAGAYA, pipe, Classy, iCapital Network, OurCrowd, CrowdOut, 金斧子

Infrastructure
Digital Asset, CAPITOLIS, PEERNOVA, AXONI, AdvisorEngine, crosslend, openfin, beacon, Cosaic, CALASTONE

Market data & analytics
exos, ADDEPAR, Win.d, investcloud, AlphaSense, Q4, visible alpha, OPENGAMMA, symbiont, dv01

Trading
TRUMID, PRODUCEPAY, MEMX, MAXEX, LTSE, XCHG, dough, TRADAIR, kantox

Consumer finance

Consumer credit
Klarna, JDT 京东科技, CRED, paidy, Petal, Katapult, Uplift, deserve, sunbit, finAccel

Digital banking
SoFi, SUNING 苏宁金融, nu, chime, MoneyLion, Revolut, OakNorth Bank, N26, Starling Bank, monzo

Loyalty & rewards
ibotta, FIVESTARS, Raise, CHAI, bink, TANGO CARD, drop, payForward, buzz POINTS

Management tools
Empower, dailypay, nerdwallet, payactiv, credit sesame, bankbazaar.com, hyphen group, tally, BILLGO, Self

Wallets & super apps
Grab, gojek, momo, CURVE, MobiKwik, OPay, Lydia, recargapay, Numbrs, true balance

Digital assets

Blockchain platforms
SOLANA, alchemy, chia, Terra, Ethereum, BINANCE, Sögur, litecoin, MONERO, Algorand

Cryptocurrency storage & payments
Blockchain.com, Ledger, bitpay, BitGo, CRYPTERIUM, uphold, BRD, celsius, ABRA, xapo

Digital securities & services
PAXOS, BlockFi, NYDIG, bitpanda, BITFURY, ANCHORAGE, SEBA BANK, Lukka, LIQUIDX, FALCONX

Networks & exchanges
coinbase, bakkt, CIRCLE, Bitso, ripple, Hedera Hashgraph, bithumb, FTX, celo, rally

Fintech VC ecosystem market map

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Market map is a representative overview of venture-backed or growth-stage providers in each segment. Companies listed have received venture capital or other notable private investments.

Financial services IT

Enterprise architecture

PICC, JUMO, MAMBU, LEVERIS, Thought Machine, r3., Finxact, technisys, EVEN, TIS Smart Payments Better Decisions, Sensibill, Spring

Platforms & APIs

PLAID, Alkami, MARQETA, MX, unqork, tink, AMOUNT, pollinate, ClearBank, Solarisbank, SIMPLENEXUS, NYMBUS

Payments

B2B payments

Divvy, Brex, Tradeshift, C2FO, ramp, leaflink, qwil, melio, sonovate, PLEO

Cross border & FX

Payoneer, flywire, Airwallex, Currencycloud, pingpong, LianLian Pay, thunes, DAQ, veem, iBanFirst

Payroll & AP/AR

avidxchange, highradius, tipalti, 趣链科技 Hyperchain, Chargebee, 慧算账, PayFit, deel., pilot, cloudpay

Payment platforms & POS

Paytm, stripe, toast, checkout.com, SaltPay, Rapyd, sumup, d·local, Razorpay, cedar

P2P & remittance

WorldRemit, wise, Remitly, TNG, PAYSEND, satispay, Chipper, AZIMO, transferGo, currencyfair

Regtech

Crime surveillance

FORTER, Shift, feedzai, Chainalysis, BioCatch, Comply Advantage, Digital Reasoning, FEATURE SPACE, appzen, QUANTIFIND, Ding Xiang, NetGuardians

Regulatory affairs & compliance

fenergo, enigma, CrossBorder Solutions, TAXbit, THETARAY, Trulioo, quantexa, alloy, ASCENT, complysci, IdentityMind Global, droit

Risk management

通付盾, 邦盛科技, ACADIASOFT, LOGICGATE, digital shadows, eka, Credit Benchmark, AccessFintech, riskalyze, MindBridge

Wealthtech

Advisortech

e代理, VISE, 理享家, 迅策科技, CAIS, FINATEXT, Sentieo, Jacobi

Wealthtech (cont.)

Alternative investments

LANDBAY, FUNDRISE, Yieldstreet, CADRE, roofstock, PeerStreet, Rally, EXPORO, ADDX, peoplefund

Brokerage

Robinhood, TRADE REPUBLIC, eToro, STASH, Public, Webull, M1 Finance, Groww, BUX, ajaib

Digital advisory

Wealthsimple, acorns, Betterment, Albert, nutmeg, moneyfarm, scalable capital, SIGFIG, bibit

Investment tools & platforms

raisin., 懒财网贷, Vestmark, 盈盈金科, True Link, tastytrade, HARVEST, Stocktwits

Retirement planning

FIGURE, Aspiration, Guideline, Human Interest, nextcapital, epsor, Facet Wealth, Smart Pension, Vestwell, forusall

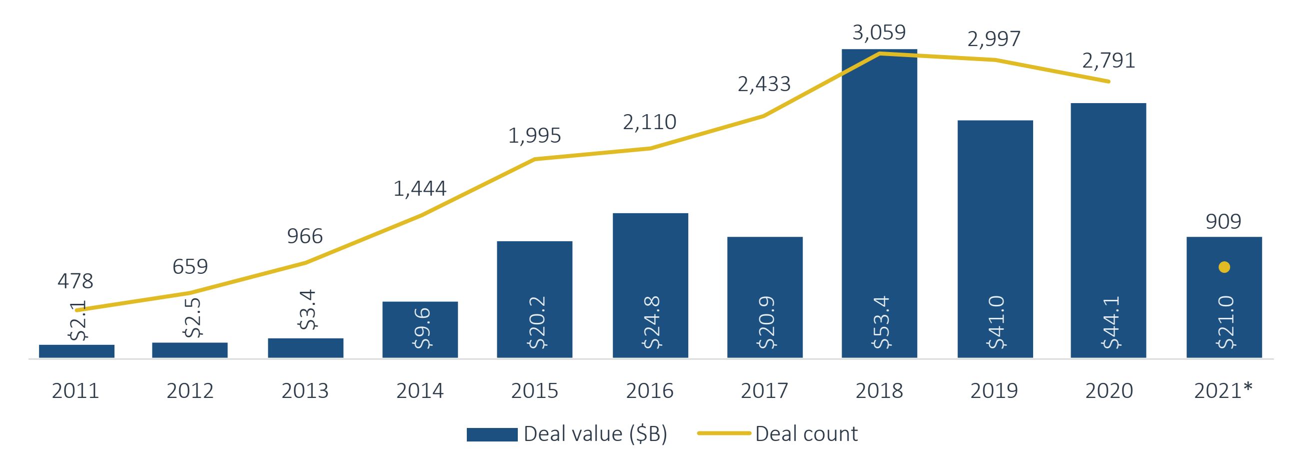
VC activity

In Q1 2021, fintech companies globally raised $21.0 billion in VC across 909 deals. This almost matched the previous record high of $21.6 billion from Q2 2018—a quarter that included **Ant Group**'s $14.0 billion Series C. Continuing a multiyear trend, payments companies drove a large proportion of deal value, at $5.7 billion. The largest deals in the segment were secured by competitors **Stripe**, with $600.0 million, **Checkout.com**, with $450.0 million, and **Rapyd**, with $300.0 million. **Stripe** also led **Rapyd**'s Series B in 2019. Propelled by the strong cryptocurrency market, digital assets companies raised a record $2.0 billion during the quarter, thereby matching 2020's full-year total. Digital assets will likely eclipse 2018's record of $2.8 billion by year-end. The largest deals in this space include cryptocurrency lending and borrowing platform **BlockFi**'s $350.0 million Series D and cryptocurrency exchange **Blockchain.com**'s $300.0 million Series C.

During the quarter, the median pre-money valuation for late-stage fintech companies jumped 230.5% from full-year 2020's figure to a record $396.0 million. Early-stage median valuations also reached new heights, at $30.0 million—up 20.0% from 2020's $25.0 million. Valuation multiples have also continued to climb, with the rolling three-year median reaching 14.9x revenue in Q1 from 13.3x in 2020. However, this is still lower than the record high of 17.6x from 2017.

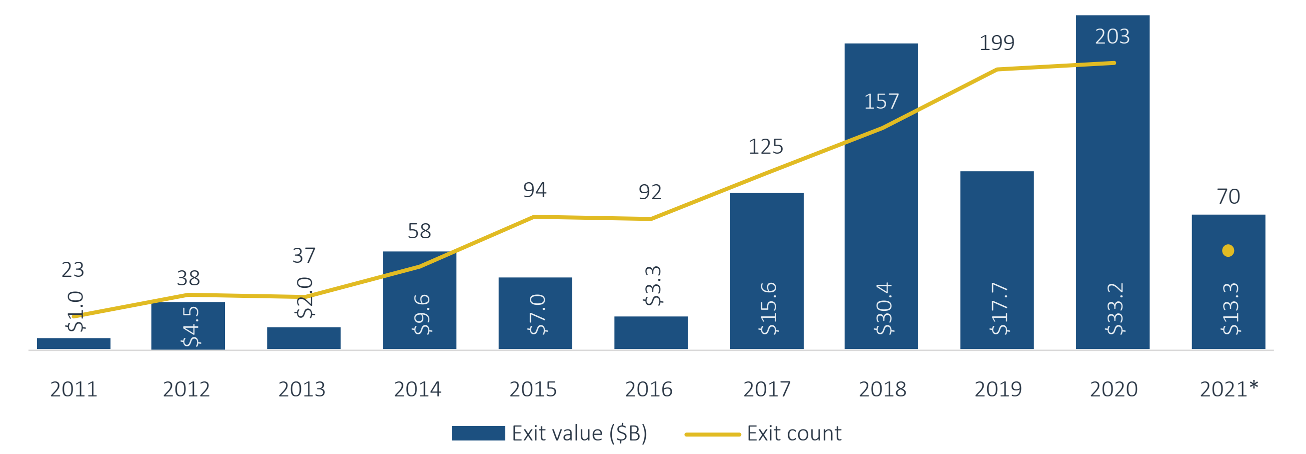
Also in Q1, fintech VC exits continued their strong performance, with a cumulative value of $13.3 billion over a record 70 exits. Notable exits via M&A include the $1.0 billion roll-up acquisition of enterprise wealthtech platform **InvestCloud** by Clearlake Capital and Motive Partners, combined with other wealthtech solutions **Tegra118** and **Finantix**; the $275.0 million acquisition of loyalty rewards platform **Dosh** by **Cardlytics** (NASDAQ: CDLX); and cryptocurrency wallet security provider **Curv**'s acquisition by **PayPal** (NASDAQ: PYPL). IPOs for the quarter include **Affirm** (NASDAQ: AFRM) and gig worker banking platform **Payfare** (TSE: PAY). The host of announced or soon-to-close exits, including the public listings of **Coinbase** and **Alkami** and the special purpose acquisition company (SPAC) mergers of **SoFi**, **eToro**, **MoneyLion**, **Bakkt**, and **Payoneer**, will be included in our Q2 report.

Figure 2. **FINTECH VC DEAL ACTIVITY**



Source: PitchBook | Geography: Global | *As of March 31, 2021

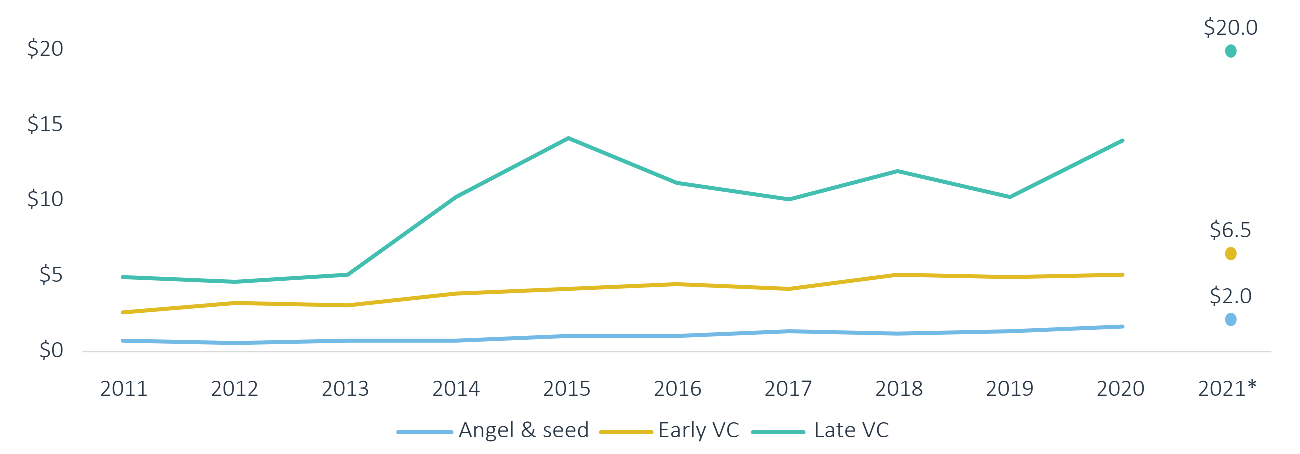
Figure 3. **FINTECH VC EXIT ACTIVITY**



Source: PitchBook | Geography: Global | *As of March 31, 2021

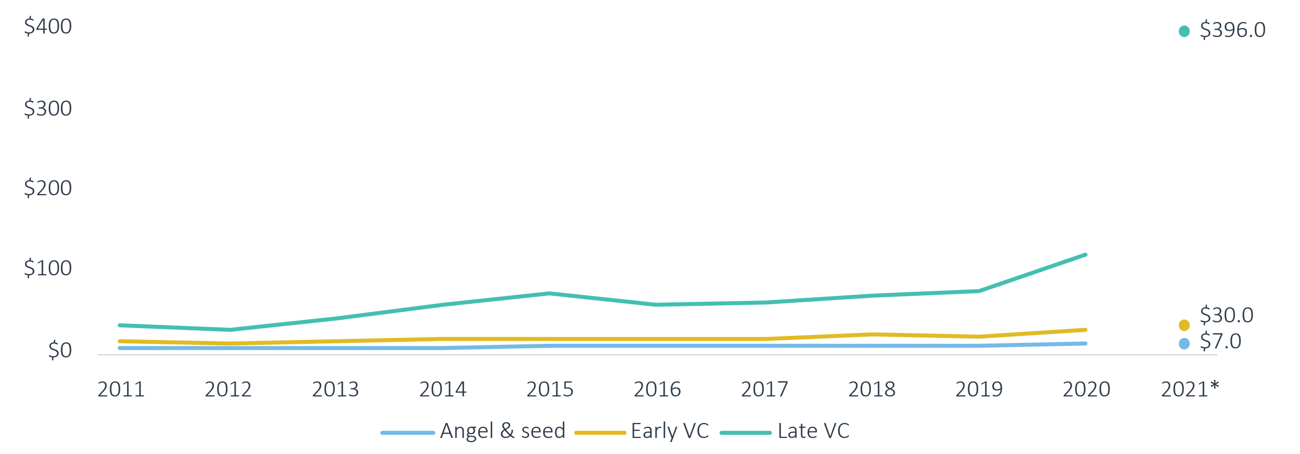
VC ACTIVITY

Figure 4. **MEDIAN FINTECH VC DEAL SIZE ($M) BY STAGE**



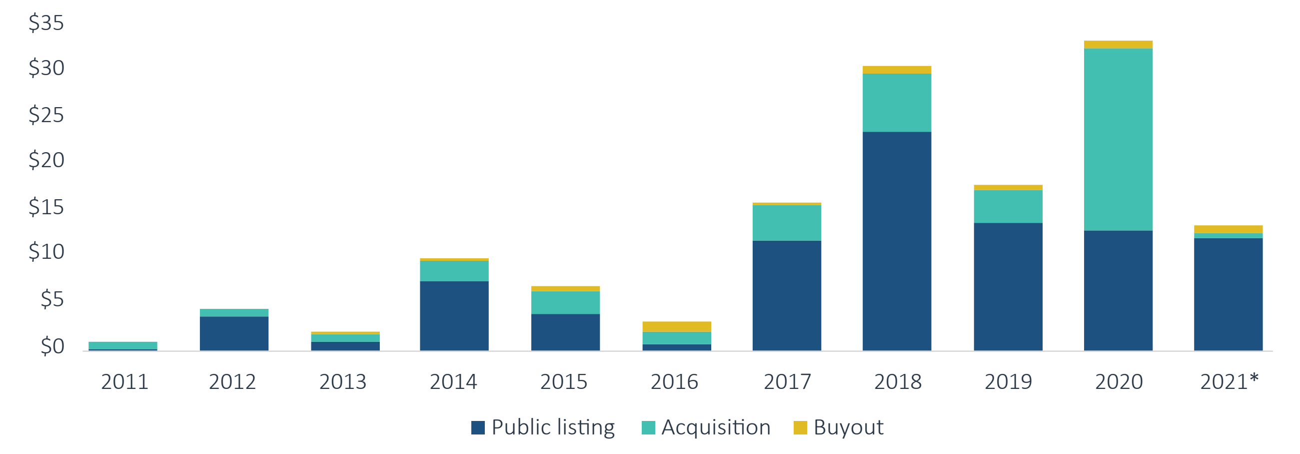
Source: PitchBook | Geography: Global | *As of March 31, 2021

Figure 5. **MEDIAN FINTECH VC PRE-MONEY VALUATION ($M) BY STAGE**



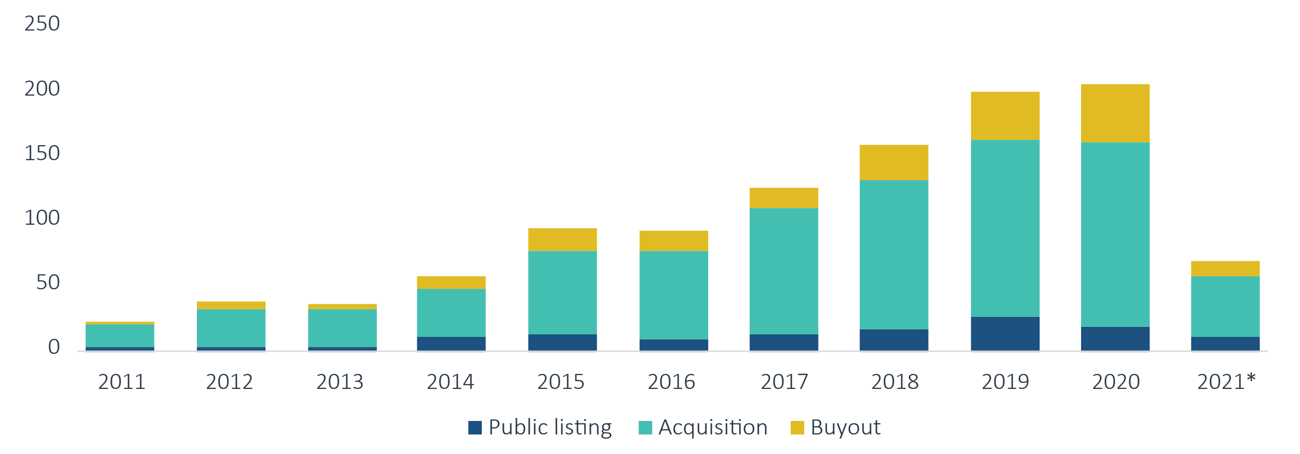
Source: PitchBook | Geography: Global | *As of March 31, 2021

Figure 6. **FINTECH VC EXIT VALUE ($B) BY EXIT TYPE**



Source: PitchBook | Geography: Global | *As of March 31, 2021

Figure 7. **FINTECH VC EXIT COUNT BY EXIT TYPE**



Source: PitchBook | Geography: Global | *As of March 31, 2021

Figure 8.

Key fintech early-stage VC deals

COMPANY	CLOSE DATE	SEGMENT	CATEGORY	DEAL SIZE ($M)*	LEAD INVESTOR(S)	VALUATION STEP-UP
Fast	January 26, 2021	Payments	Payment platforms and POS	$102.0	Addition, Stripe	3.3x
TaxBit	March 2, 2021	Regtech	Regulatory affairs and compliance	$100.0	Paradigm (Crypto Fund), Tiger Global Management	10.5x
Ramp	March 29, 2021	Payments	B2B payments	$65.0	D1 Capital Partners	N/A
Alma	January 25, 2021	Consumer finance	Consumer credit	$59.6	N/A	N/A
FalconX	March 11, 2021	Digital assets	Digital securities and services	$50.0	B Capital Group, Tiger Global Management	N/A
Pipe	March 9, 2021	Capital markets	Alternative capital	$50.0	Next47, Raptor Group	N/A
Scalapay	January 28, 2021	Consumer finance	Consumer credit	$48.6	Fasanara Capital	N/A
Republic	March 23, 2021	Capital markets	Alternative capital	$45.2	Galaxy Interactive (US)	N/A
Xpansiv	January 14, 2021	Capital markets	Trading	$40.0	Shaw and Partners	N/A
Solana Labs	March 25, 2021	Digital assets	Networks & exchanges	$40.0	N/A	N/A

Source: PitchBook | Geography: Global | *As of March 31, 2021

VC ACTIVITY

Figure 9.

Key fintech late-stage VC deals

COMPANY	CLOSE DATE	SEGMENT	CATEGORY	DEAL SIZE ($M)*	LEAD INVESTOR(S)	VALUATION STEP-UP
Robinhood	January 29, 2021	Wealthtech	Brokerage	$3,400.0	Ribbit Capital	N/A
Klarna	March 1, 2021	Consumer finance	Consumer credit	$1,290.0	N/A	N/A
LendInvest	January 28, 2021	Alternative lending	Real estate lending	$681.4	N/A	N/A
Stripe	March 14, 2021	Payments	Payment platforms and POS	$600.0	N/A	2.6x
Checkout.com	January 12, 2021	Payments	Payment platforms and POS	$450.0	Tiger Global Management	2.6x
Nubank	January 28, 2021	Consumer finance	Digital banking	$400.0	Invesco, Whale Rock Capital Management, Government of Singapore Investment Corporation (GIC)	2.5x
SoFi	January 7, 2021	Consumer finance	Digital banking	$369.8	N/A	N/A
BlockFi	March 11, 2021	Digital assets	Digital securities and services	$350.0	N/A	6.1x
Blockchain.com	March 24, 2021	Digital assets	Cryptocurrency storage and payments	$300.0	Baillie Gifford	1.6x
Blend	January 13, 2021	Alternative lending	Underwriting and credit scoring	$300.0	Coatue Management, Tiger Global Management	1.8x

Source: PitchBook | Geography: Global | *As of March 31, 2021

Figure 10.

Key fintech VC exits

COMPANY	CLOSE DATE	SEGMENT	EXIT SIZE ($M)	EXIT TYPE	ACQUIRER(S)/STOCK EXCHANGE	POST-MONEY VALUATION ($M)*
Affirm	January 13, 2021	Consumer finance	$10,689.2	IPO	NASDAQ: AFRM	$11,894.6
Bairong Financial Information Service	March 30, 2021	Financial services IT	N/A	IPO	HKG: 06608	$2,077.8
InvestCloud	February 2, 2021	Capital markets	$800.0	Buyout/LBO	Fiserv, Accenture, Citi Ventures, Clearlake Capital Group, Motive Partners	$1,000.0
Dosh	March 10, 2021	Consumer finance	$275.0	M&A	Cardlytics	$275.0
Flexiti	March 10, 2021	Consumer finance	$122.0	M&A	Curo Financial Technologies	$122.0
Ondot	January 22, 2021	Financial services IT	N/A (raised $55.6)	M&A	Fiserv	N/A
Curv	March 8, 2021	Digital assets	N/A (raised $36.5)	M&A	PayPal Holdings	$500.0
Bison Trails	January 19, 2021	Digital assets	N/A (raised $30.7)	Buyout/LBO	Coinbase Ventures	N/A
Pangea Money Transfer	March 19, 2021	Payments	N/A (raised $21.6)	M&A	Enova International	N/A
Tiller	February 10, 2021	Payments	N/A (raised $19.0)	M&A	SumUp	N/A

Source: PitchBook | Geography: Global | *As of March 31, 2021

VC ACTIVITY

Figure 11.

Top strategic acquirers of fintech companies since 2018

INVESTOR	DEAL COUNT*	INVESTOR TYPE
Coinbase	9	Corporation
Arthur J. Gallagher & Co.	7	Corporation
Mastercard	6	Corporation
Paypal Holdings	6	Corporation
insightsoftware	5	PE-backed company
ION Group	5	PE-backed company
Applied Systems	5	PE-backed company
Visma Group	5	PE-backed company
Accenture	5	Corporation
Refinitiv	4	Corporation

Source: PitchBook | Geography: Global | *As of March 31, 2021

Figure 12.

Top VC investors in fintech companies since 2018

INVESTOR	DEAL COUNT*	INVESTOR TYPE
500 Startups	158	VC
Ribbit Capital	77	VC
Coinbase Ventures	74	CVC
Alumni Ventures Group	73	VC
Andreessen Horowitz	72	VC
Global Founders Capital	66	VC
Accel	60	VC
NGC Ventures	59	VC
Anthemis Group	58	VC
Digital Currency Group	57	CVC

Source: PitchBook | Geography: Global | *As of March 31, 2021

Figure 13.

Top VC-backed fintech companies by total VC raised to date

COMPANY	VC RAISED ($M)*	SEGMENT	CATEGORY
Grab	$9,826.1	Consumer finance	Wallets & super apps
Robinhood	$5,580.2	Wealthtech	Brokerage
Paytm	$5,330.2	Payments	Payment platforms & POS
Gojek	$5,201.0	Consumer finance	Wallets & super apps
SoFi	$3,625.5	Consumer finance	Digital banking
Klarna	$3,202.0	Consumer finance	Consumer credit
JD Digits	$3,141.3	Consumer finance	Consumer credit
Suning Finance	$2,257.5	Consumer finance	Digital banking
Stripe	$2,237.0	Payments	Payment platforms & POS
Chime	$1,541.6	Consumer finance	Digital banking

Source: PitchBook | Geography: Global | *As of March 31, 2021

Emerging opportunities

Controller automation

Autonomous finance solutions for AP and AR functions

Credit cards

A disruption opportunity within retail financial services

Earned wage access

An employer benefit to displace payday lending

Controller automation

Overview

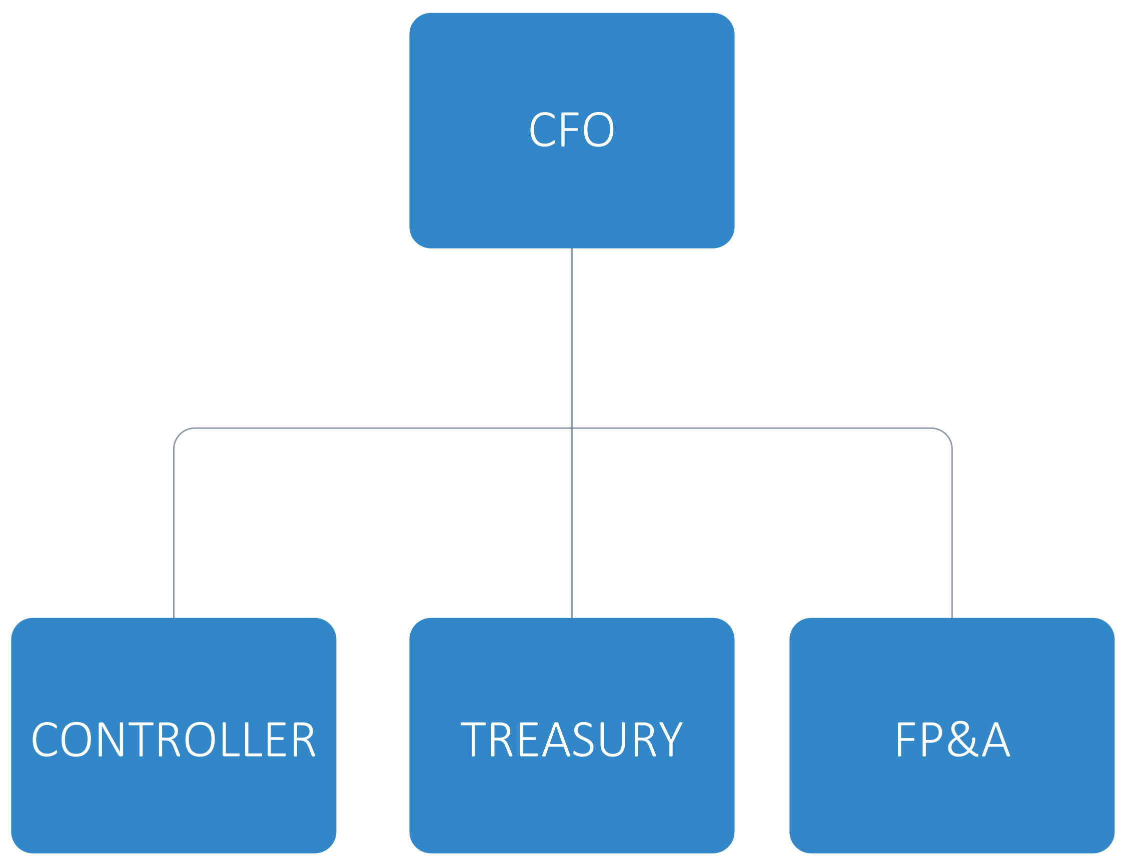
Autonomous finance, the trend toward full automation of financial management, is ushering in a new category of applications with retail and enterprise use cases. Focused on the CFO-suite, emerging enterprise applications are finding ways to use artificial intelligence & machine learning (AI & ML) technology to automate processes across three core functions:

1. **Controller: payments, payroll, expense reimbursement, collections, reconciliation, financial and tax reporting, compliance**
2. Treasury: cash flow and liquidity planning, financial risks such as foreign exchange and interest rates, credit rating management, capital structure optimization
3. FP&A: budgeting, forecasting, financial planning and analysis, management reporting

While technologies such as optical character recognition (OCR), invoice automation, O2C (order to cash) workflows, and robotic process automation (RPA) have been developed to help the controller function speed up certain tasks and improve decision-making, significant manual processes remain that are required to review all financial transactions. For accounts payable (AP), these manual processes include invoice intake, document validation and data entry, matching, approvals, and payments. For accounts receivable (AR), these processes include generating invoices, delivery of account statements, payment acceptance, and collection. These manual processes are costly and error prone for businesses. **Goldman Sachs** (NYSE: GS) estimated that the direct cost to process an invoice ranges from $9 to $22 per invoice, with small businesses incurring costs on the higher end.[3] While **Goldman Sachs** also predicts that automation could reduce costs by two thirds, we project that fully autonomous

3: **"B2B: How the Next Payments Frontier Will Unleash Small Business," Goldman Sachs, James Schneider, Ph.D., et al., September 16, 2018.**

Figure 14. **OFFICE OF THE CFO**



finance solutions could deliver over 80% cost savings to businesses by autonomously handling most accounting processes and leaving accounting teams to review rare exceptions.

A recent business survey reported that the pandemic has spurred finance teams to digitize and seek software solutions to automate their accounting functions.[4] Many businesses during the past year have focused on increasing efficiencies within their financial processes, including managing cash flow, spending, and working capital in an effort to contend with the impacts of COVID-19. Although incumbent solutions from **NetSuite**, **Sage**, and **Esker** (PAR: ALESK) offer AR/AP management solutions, these products are still highly manual and require substantial implementation time.

Fintech startups are developing cloud-based, lightweight technologies that seek to fully automate and improve upon the controller function. Accounts payable platform **AppZen** uses computer vision to extract data and content—including text, numbers, logos, and features—from invoices, then categorizes and classifies that information using an AI-based accounts payable taxonomy. **HighRadius** provides a receivables platform that automates O2C and cash application processes to reduce manual processing and invoicing errors. While these companies focus on AP or AR automation, emerging startups including **Zeni** and **Docyt** seek to automate the entire accounting stack.

We expect AR/AP automation will see increased consolidation in the coming years. Business process automation provider **Quadient** (PAR: QDT) recently made two notable acquisitions in the space: **YayPay** in 2020 and **Beanworks** in Q1 2021. Legacy and tech providers of AR/AP software include **SAP** (ETR: **SAP**), **FleetCor** (NYSE: FLT), and **Bill.com** (NYSE: BILL), all of which we believe could be acquirers in this space.

4: **"SaaSPath 2020: Executive Summary Report," IDC, June 2020.**

CONTROLLER AUTOMATION

Figure 15.

Top VC-backed AP/AR companies by total VC raised

COMPANY	TOTAL VC RAISED ($M)*	HQ LOCATION	YEAR FOUNDED	AUTOMATION FOR AP OR AR?
HighRadius	$375.0	Houston, Texas	2006	Accounts receivable
Pilot	$163.3	San Francisco, California	2016	Both
Billtrust**	$111.5	Lawrenceville, New Jersey	2001	Accounts receivable
AppZen	$102.3	San Jose, California	2012	Accounts payable
Stampli	$87.0	Mountain View, California	2014	Accounts payable
Zeni	$27.0	Palo Alto, California	2018	Both
Emagia	$21.8	Santa Clara, California	1998	Accounts receivable
Beanworks***	$20.5	Vancouver, Canada	2012	Accounts payable
Docyt	$4.3	Santa Clara, California	2016	Both

Source: PitchBook | Geography: Global | *As of March 31, 2021

**Completed a SPAC merger in Q1 2021
***Announced to be acquired by Quodiant in Q1 2021

Credit cards

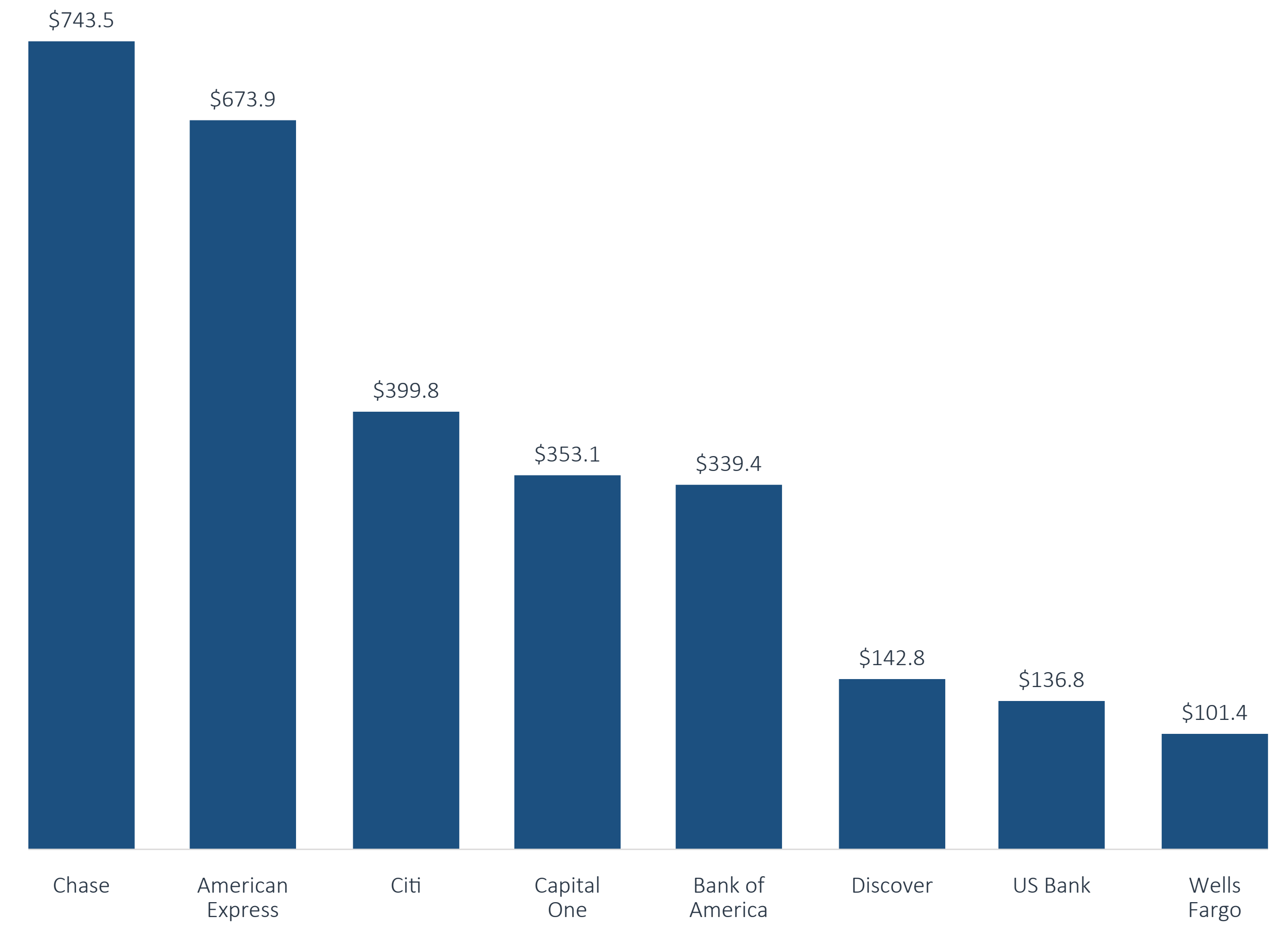
Overview

Over the past decade, retail financial services disruption has occurred across deposit accounts, savings, investment management, financial advice, retirement services, and installment loans such as mortgages, auto, student, and personal. However, traditional credit cards have seen little disruption and market penetration from new entrants. While BNPL providers, such as **Affirm**, **Klarna**, and **Afterpay** (ASX: APT), that offer credit at the point of sale have grown tremendously during the past few years, we currently view these companies as more direct competitors of private-label store cards such as the Amazon Store Card. BNPL services are tied to the merchant and are less ubiquitous than general purpose credit cards such as **American Express** (NYSE: AXP). We estimate that private-label store cards processed over $200 billion globally in gross merchandise value (GMV) in 2020 from issuers including **Synchrony Financial** (NYSE: SYF), Citi Retail Services, and **Alliance Data Systems** (NYSE: ADS). For context, based on fiscal 2021 third quarter results, **Affirm** is currently generating an annualized GMV of $9.2 billion.

We believe that credit cards will be the next area of disruption from fintech companies. In 2020, the US credit card market processed around $3.6 trillion in purchase volume.[5] For decades, the market has been dominated by traditional issuers such as Chase (NYSE: JPM) and **American Express**. In fact, the eight largest credit card issuers in the US processed almost $2.9 trillion in 2020, which accounts for over 80% of the industry's total. While some fintech companies, including **Petal** and **Mission Lane**, have come to market offering credit card products directly to end users, building a credit card product is complex, time consuming, and costly. Further, monumental customer acquisition challenges exist when competing head-on with incumbent issuers with billions of dollars in marketing budgets.

5: **"U.S. General Purpose Brands—Purchase Volume in 2020," Nilson Report, February 2021.**

Figure 16. **PURCHASE VOLUME ($B) OF THE TOP EIGHT CREDIT CARD ISSUERS IN 2020**



Geography: US | Source: With permission from the Nilson Report

CREDIT CARDS

We believe a growing opportunity exists for fintech companies to provide the underlying infrastructure and technology to help brands and other fintech companies issue credit card products directly to their customers. In this emerging technology—sometimes referred to as credit card as a service (CCaaS)—providers develop application programming interfaces (APIs) that allow clients to integrate processes related to underwriting, physical and virtual card issuance, credit line, risk management, and bank partnerships. Different from co-branded credit cards—which have a long history and represent the majority of airline and hotel credit cards—CCaaS is neither beholden to a specific bank issuer, nor does it require the brand to use the technology of issuing banks. For example, most co-brand cards require consumers to gain access to and manage their cards through the mobile app of the bank issuer. For example, Southwest Rapid Rewards credit cards must be managed through **JPMorgan**'s (NYSE: JPM) Chase app. Further, implantation with legacy issuers typical takes one to two years and requires processor integration, risk and compliance management, credit facility setup, and numerous byzantine processes. CCaaS allows brands to have more control over their credit card programs, with capital supplied by partner banks that act purely as background liquidity providers with no role in the product experience.

Fintech company **Deserve** first came to market by offering credit cards to college and international students. In 2018, the company developed a CCaaS platform to help digital brands and fintechs build their own credit card programs. The platform promises six-month launch periods and allows developers to customize every part of the credit card stack, including underwriting, issuance, servicing, and portfolio management. All aspects of the card are embedded within the provider's application, thus allowing **Deserve**'s clients to control the entire credit card experience for their customers. **Deserve**'s CCaaS platform currently powers the credit cards for traditional brands such as Sallie Mae (NASDAQ: SLM), which is also an investor in **Deserve**, and leadership platform and media company Seneca Women, as well as fintechs such as **BlockFi**, **OppFi**, and **Vertical Finance**.

Credit cards represent a popular strategy for corporate brands to develop new revenue streams and expand customer interaction opportunities to increase stickiness. Several consumer-platform brands, including Instacart and DoorDash (NYSE: DASH), are said to be exploring credit card programs—although while the former is pursuing a traditional issuer strategy, the latter is considering using **Deserve**'s CCaaS platform.[6] While CCaaS enables brands to control more of the customer experience, legacy card issuers have a long history of running credit card programs, which could be attractive for firms looking to outsource as much of the process as possible. Many fintech companies have recently launched or announced new credit card offerings, including **Chime**, **SoFi**, **Avant**, **Aspiration**, and **Upgrade**. These developments favor CCaaS providers such as **Galileo**, which drives the credit card products of **TomoCredit**, **SoFi**, and **Chime**.

6: **"Instacart and DoorDash Plan to Launch Their Own Credit Cards,"** ***The Wall Street Journal***, **AnnaMaria Andriotis & David Benoit, April 7, 2021.**

CREDIT CARDS

Figure 17.

Top fintech monoline credit card issuers by total raised

COMPANY	TOTAL RAISED ($M)*	HQ LOCATION	YEAR FOUNDED
Petal	$558.2	Atlanta, Georgia	2016
Deserve	$247.4	Murray, Utah	2012
Mission Lane	$200.0	Atlanta, Georgia	2018
Jasper	$118.0	Sioux Falls, South Dakota	2015
Tymit	$40.8	London, UK	2017
Level**	$40.4	San Francisco, California	2016
Cred.ai	$33.8	Philadelphia, Pennsylvania	2016
X1 Card	$12.0	San Francisco, California	2017
TomoCredit	$10.0	San Francisco, California	2019
Grow Credit	$2.0	Santa Monica, California	2018

Source: PitchBook | Geography: Global | *As of March 31, 2021

**Acquired by Avant in Q2 2021

Figure 18.

Top fintech companies with CCaaS platforms by total raised

COMPANY	TOTAL RAISED ($M)*	HQ LOCATION	YEAR FOUNDED
Marqeta***	$527.0	Oakland, California	2009
Cross River Bank	$294.0	Fort Lee, New Jersey	2008
Deserve	$247.4	Murray, Utah	2012
Amount	$247.0	Chicago, Illinois	2014
Galileo**	$86.1	Salt Lake City, Utah	2000
Railsbank	$53.5	London, UK	2016
Synapse	$50.3	San Francisco, California	2014
Cardless	$10.0	San Francisco, California	2019

Source: PitchBook | Geography: Global | *As of March 31, 2021

**Acquired by SoFi in 2020
***Exited via IPO in Q2 2021

Earned wage access

Overview

Earned wage access (EWA), also known as early wage access or on-demand pay, allows employees to gain access to accrued wages before a scheduled payday. This service first became popular with ride-share services such as Uber (NYSE: UBER), which allowed drivers to receive earnings at the end of the day. Several startups, including **Earnin** and **Bridgit**, provide standalone EWA platforms. The function is also made available through neobanks such as **Chime**, **MoneyLion**, and **Dave**, among others. Employers are also experimenting with how to integrate EWA models into existing payroll services—a practice we believe could become widespread.

EWA apps have faced significant criticism from users and regulators. For example, **Earnin**, which has raised over $190.0 million in VC, allows users to gain access to up to $100 per day before payday. However, complaints have been raised that the service will repay itself before users are paid, thus leading to bank overdraft fees. While the product does not charge fees, it generates revenue via a tipping feature that encourages users to "pay it forward" for using the service. This is viewed by many regulators as an effective interest rate that could end up being exorbitant even for small amounts. For example, a $3 tip for $100 borrowed for five days before payday is equivalent to a 219% annual percentage rate (APR)—a rate much higher than the usury limits of most US states. In Q1 2021, **Earnin**'s parent company, ActiveHours, settled a class-action lawsuit for $12.5 million.[7]

Employer-based EWA models are often delivered as an employee benefit with the potential to improve workers' financial wellness. EWA programs can serve as a recruitment tool, helping to increase employee retention. Improved financial infrastructure that enables faster digital payments and real-time payroll data could make the biweekly/bimonthly payday model—conceived of during an era of paper checks—a thing of the past.

Employer-based EWA generates revenue streams for providers under various models, including transaction fees, monthly subscriptions, and bank-sponsored debit cards. These fees may be paid by employees, employers, or a combination of both. The total monthly employee cost for these different pricing models varies based on the frequency with which the service is used. Examples include:

- **PayActiv**, which charges employees $1 for each early wage transfer to an external bank account and caps fees at $5 per two-week pay period. The program is free if the employee opts to transfer wages to a **PayActiv** debit card.
- **DailyPay**, which charges a transaction fee that ranges from $1.25 to $2.99, depending on transfer methods and timing, and lets employers choose fee payment methods—either paid fully by the employer, or by the employee, or split.
- **Even**, which charges the employee a flat fee of $8 per month and stops charging the fee if an employee does not use **Even** for two consecutive months.
- **Wagestream** and **Branch**, which both provide bank-sponsored debit cards as well as EWA technology as a service, thereby allowing software-as-a-service (SaaS) platforms to integrate EWA programs for clients to offer to their employees.

7: **"Earnin Users Get Final OK on $12.5M Deal in Bank Fee Row," *Law360*, March 26, 2021.**

EARNED WAGE ACCESS

While EWA programs present as an evolution of traditional payroll and an improvement over predatory payday lending, challenges nonetheless remain. Limited usage data means it remains inconclusive whether the service truly improves financial wellness or potentially creates debt-trap cycles where none previously existed. Moreover, EWA regulation remains unclear, while companies that offer EWA must have compliance measures in place. In late 2020, the Consumer Financial Protection Bureau (CFPB) posted an advisory opinion and a follow-up order stating that EWA services must follow lending laws, such as the Truth in Lending Act, unless the following measures are taken: Advances can be recovered only through a payroll deduction, as opposed to debit from an employee's bank account; employees can choose where funds are deposited;[8] and employees do not have to pay high fees to gain access to the service.[9,10]

8: Some EWA providers do not allow consumers to choose where funds are deposited.
9: **"Docket No. CFPB-2020-0019," Bureau of Consumer Financial Protection, November 30, 2020.**
10: **"Approval Order," Bureau of Consumer Finance, December 30, 2020.**

Figure 19.

Top VC-backed employer-based EWA companies by total raised

COMPANY	TOTAL RAISED ($M)*	HQ LOCATION	YEAR FOUNDED	NOTABLE CLIENTS
DailyPay	$600.8	New York, New York	2015	Kroger, Adecco, Six Flags
PayActiv	$141.0	San Jose, California	2012	Walmart, Wayfair, Ibex Global
Wagestream	$83.0	London, UK	2018	Royal Surrey NHS Foundation Trust, Roadchef, Casual Dining Group
Branch	$58.6	Minneapolis, Minnesota	2014	Domino's, Pizza Hut, Continuum Global Solutions
Even	$52.1	Beaverton, Oregon	2014	Walmart, PayPal, Noodles & Co.
Hastee	$25.7	London, UK	2017	Graham Care Group, Bluebird, The Vurger Co.
Instant Financial	$15.7	Alpharetta, Georgia	2015	Applebee's, Wendy's, Outback Steakhouse
Immediate	$15.6	Birmingham, Alabama	2019	Steward Health Care, Panama Jack, Providence Healthcare Management
ZayZoon	$14.8	Scottsdale, Arizona	2014	Holiday Inn Express, Americare
FlexWage	$13.0	Mountainside, New Jersey	2009	McDonald's, Burger King, Panda Express
Rain Instant Pay	$12.6	Los Angeles, California	2019	N/A

Source: PitchBook | Geography: Global | *As of March 31, 2021

Select company highlights

SELECT COMPANY HIGHLIGHT | MOSAIC

Founded
2019

Location
Encinitas, CA

Total raised
$21.0 million

Lead investors:
XYZ-Ventures, General Catalyst

Overview

Mosaic develops a strategic finance platform dedicated to transforming the way startups approach planning and performance management. The platform leverages Big Data and machine learning to provide predictive reporting capabilities, thereby enabling finance teams to gain a holistic understanding of a company's finances. The role of the CFO and finance teams have expanded, yet financial tools and solutions largely have not. Many processes are still manual, including gathering, updating, and distributing data across disparate enterprise resource planning (ERP) and legacy systems. These manual processes make it challenging to have a real-time understanding of the business.

Mosaic has two products: Analytics and Planning. Analytics provides real-time analytics through simple dashboards, data visualizations, and automated insights. Performance updates and business insights can be shared internally and externally, thus allowing users to prepare board materials, aid fundraising diligence, and prepare budgets. Planning allows startups to build real-time, predictive forecasts by modeling multiple scenarios. This enables users to set goals based on performance and resources that can be updated at any point. Mosaic integrates existing tech stacks, including legacy and new ERP, customer relationship management (CRM), human resource information systems (HRIS), and billing systems.

We view Digits as Mosaic's direct competitor, as it also targets startups. Incumbent competitors include traditional business intelligence software companies **Domo** (NASDAQ: DOMO) and **MicroStrategy** (NASDAQ: MSTR).

The Mosaic founding team met during their time at Palantir (NYSE: PLTR) and helped build and lead the finance team. CEO Bijan Moallemi worked at Palantir for six years before leaving to lead the finance team at social learning platform Piazza. COO Joe Garafalo worked at Palantir for five years before he left to lead finance at blockchain infrastructure company **Axoni**. CPO Brian Campbell was at Palantir for over five years and then moved on to litigation platform Everlaw. In 2019, the three founded Mosaic. Head of Technology Luke Braud was previously a VP of Engineering for DocuSign (NASDAQ: DOCU).

Mosaic last raised an $18.5 million Series A in January 2020, in a deal led by General Catalyst. Village Global, Felicis Ventures, Goldcrest Capital, Friends and Family Capital, and XYZ-Ventures also participated in the round. Previously, the company raised a $2.5 million seed round led by XYZ-Ventures in 2019.

SELECT COMPANY HIGHLIGHT | KIKOFF

kikoff

Founded
2019

Location
San Francisco, CA

Total raised
$12.5 million

Post-money valuation:
$42.5 million

Overview

Kikoff develops financial software designed to help those with no or limited credit history build credit. Individuals with "no file or thin file" often face challenges when renting property, getting credit cards, or applying for loans such as auto and mortgages. However, without gaining access to these financial products, credit history is nearly impossible to build. By providing a small credit line with no fixed number of payments, interest, or fees, Kikoff lets users demonstrate their creditworthiness without the need for a bank account, credit card, or credit score. The credit line can currently only be used to make purchases from the Kikoff Store, but the company is seeking to expand purchase options. Kikoff reports monthly payments to Equifax (NYSE: EFX) and Experian (LON: EXPN).

The credit building space has recently gained momentum, with startups that include **Grow Credit**, **SeedFi**, **Grain**, **LOQBOX**, **Self**, and **LevelCredit**. These startups all utilize various strategies and reporting methodologies to help their users improve their credit files. Secured credit cards are the legacy credit builder products from incumbents such as **Capital One** and Discover, among others.

Kikoff is co-founded by CEO Cynthia Chen and CTO Christophe Chong. Chen was previously a co-founder and Chief Revenue Officer/Chief Risk Officer at fintech startup Figure, Chief Risk Officer at **LendingHome**, VP of Risk at **OnDeck**, and Director of Commercial Credit Portfolio Analytics at **Capital One**. Chong was previously Head of Growth at micromobility startup Lime and held software engineering roles at Facebook (NASDAQ: FB) and **Square** (NYSE: SQ).

Kikoff raised a $12.5 million Series A in July 2020 that valued the company at $42.5 million. Investors in the round included Lightspeed Venture Partners, Coatue Management, Female Founders Fund, GGV Capital, Foundation Capital, Abstract Ventures, and Core Innovation Capital.

SELECT COMPANY HIGHLIGHT | RAILZ

Founded
2020

Location
Toronto, Canada

Total raised
$14.3 million

Lead investors
Vestigo Ventures, Nyca Partners

Overview

Railz develops accounting APIs that provide a single connection to all major accounting service providers used by small and medium-size companies. The company's platform enables financial institutions and fintechs serving the SME segment to have real-time access to their customers' accounting data through a front-end module. The platform features advanced insights and analytics, proprietary risk scoring, fraud identification, conversion rate optimization, and other solutions. Railz's primary customers are the major US banks, fintechs, and wealth management firms that seek more-accurate financial data to build better financial applications within lending, payments, and banking. Real-time accounting data is integrated into decision-making systems, thus allowing financial institutions and fintechs to better understand their customers.

The API economy is a burgeoning space, and fintech companies have been building APIs to connect to banking, accounting, payroll, and numerous other financial systems. Other accounting APIs include those from Gyro and Boomi.

Railz is co-founded by CEO Sohaib Zahid and CTO Derek J. Manuge. Zahid, a serial entrepreneur, co-founded smart home battery system Kapacity and connected bicycle startup Vanhawks, both since acquired. He also spent nearly one year as Director of Business Development at partnerships platform PartnerStack. Manuge is currently also the co-founder and CEO of revenue sharing platform **Corl**.

In May 2021, the company closed a $12.0 million Series A led by NYCA Partners, with participation from Susa Ventures, Vestigo Ventures, Entrée Capital, Global Founders Capital, Plug and Play Ventures, N49P, and Hack VC. The company previously raised a $3.1 million seed round in January 2020 in a deal led by Vestigo Ventures. NYCA Partners also participated in the seed round.

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