PitchBook

EMERGING TECH RESEARCH

Fintech

Q2 2021 VC update

Contents

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Published on September 13, 2021

This report serves as a quarterly snapshot of the fintech vertical in Q2 2021. For a comprehensive, detailed analysis of the fintech industry by segment, please see our latest **annual edition.**

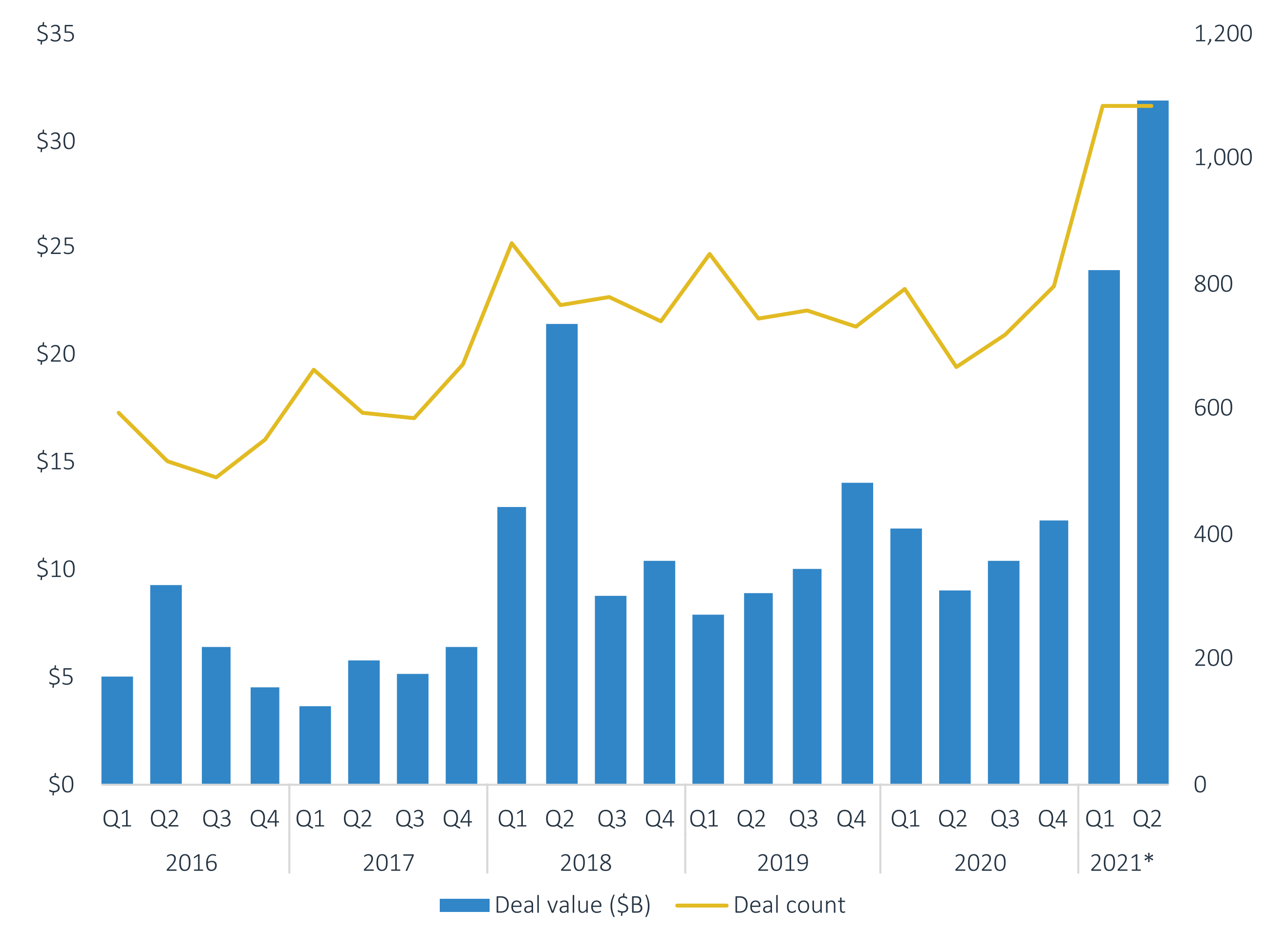
Vertical overview

Over the past year, the transformation of financial services toward digitization and online channels has accelerated, and this has benefited the growing ecosystem of fintech startups seeking to address emerging opportunities. 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 the private and public markets. While some areas of fintech—such as buy now, pay later (BNPL) and real estate lending platforms—are maturing and attracting more later-stage growth and public capital, other areas—such as decentralized finance (DeFi) and autonomous finance—have just begun raising early-stage institutional capital. These growth trends are converging with several other disruptive forces affecting the financial services ecosystem, including real-time payments, real-time transaction settlement, and core banking migration. These long-term transformation trends continue to attract investment across a range of stakeholders, including financial institutions, governments, and corporations.

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 during 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, wherein trading volumes increased across virtually all asset classes, thus generating significant fees for banks, brokerages, and other trading intermediaries. This development has led the Dow Jones US Financial Services Index to return 56.0% over the 12 months ended June 30, 2021, versus 37.7% for the S&P 500 index.

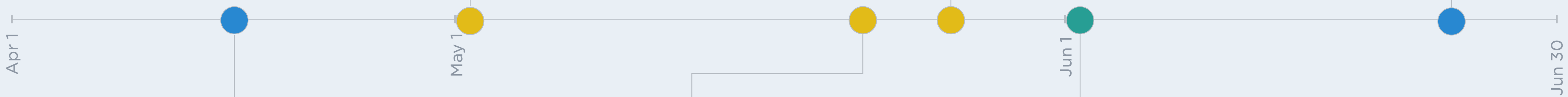
1: **"US Payment Users Will Surpass 100 Million This Year," eMarketer, eMarketer Editors, March 30, 2021.**
2: Piper Sandler analysts, phone interview with Robert Le, January 2021.

Figure 1. **FINTECH VC DEAL ACTIVITY BY QUARTER**



Source: PitchBook | Geography: Global | *As of June 30, 2021

Q2 2021 timeline



VC DEAL

April 15
Plaid raises a $425.0 million Series D at an almost $13 billion pre-money valuation. This deal comes three months after **Visa** (NYSE: V) scrapped its $5.3 billion acquisition of **Plaid**.

NEWS

May 1
Google (NASDAQ: GOOGL) deepens its expansion into financial services by offering remittances through its Google Pay app. The feature was launched in partnership with fintech company **Wise** (formerly Transferwise) (LSE: WISE) and **Western Union** (NYSE: WU).

NEWS

May 19
BlockFi, which lets users earn interest on their crypto holdings, accidentally rewards some users millions of dollars in bitcoin for a promotion it was running. The company was subsequently and unrelatedly investigated by several state financial regulators for securities law violations.

NEWS

May 24
A hidden code in a **Square** (NYSE: SQ) app update reveals that the company has checking and savings accounts on its roadmap. The company eventually revealed Square Banking in Q3 2021, which provides checking, savings, debit cards, and loans for its business customers.

VC EXIT

June 1
Accounts payable and accounts receivable software provider **Bill.com** (NYSE: BILL) acquires expense management startup **Divvy** for $2.5 billion. We expect to see more large-scale fintech-to-fintech consolidation.

VC DEAL

June 24
Visa announces the $2.2 billion acquisition of Tink, the European financial data aggregator and direct competitor of **Plaid**.

Q2 VC DEAL COUNT SUMMARY

1,081
total deals

0.0%
QoQ growth

62.1%
YoY growth

Q2 VC DEAL VALUE SUMMARY

$30.9B
total deal value

29.2%
QoQ growth

241.4%
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, NAVI, lendbuzz, ZOPA, commonbond, PROSPER

Commercial lending
CLEARCO, QuarterSpot, october, konfio, iwoca, CAPITAL FLOAT, Fundbox, ApplePie Capital, The Change Company

Real estate lending
Better, lendinvest, goodleap, loft, PLUM, LendingHome, brighte, ribbon, creditas, Divvy

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, dailypay, meu tudo, branch, earnin, TALA, AYE [आय], KreditBee, mynt, Gojo & Company, Inc.

Capital markets

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

Infrastructure
Digital Asset, RTX, CAPITOLIS, PEERNOVA, AXONI, 华锐金融技术, crosslend, openfin, beacon, Cosaic

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

Trading
TRUMID, MEMX, MAXEX, Sumscope, LTSE, Xpansiv, dough, TRADAIR, kantox

Consumer finance

Consumer credit
Klarna., JDT 京东科技, Mission Lane, CRED, paidy, Petal, Katapult, finaccel, deserve, Uplift

Digital banking
nu, chime, Revolut, Empower, MoneyLion, toss, OakNorth Bank, Starling Bank, N26, monzo

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

Management tools
деньги вперед, credit sesame, ClearScore, nerdwallet, smartasset, Guiabolso, bankbazaar.com, banksalad, taxfix, tally

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

Digital assets

Blockchain platforms
alchemy, chia, Algorand, SOLANA, Ava Labs., Qredo, Ethereum, BINANCE, litecoin

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

Digital securities & services
BlockFi, bitpanda, PAXOS, Fireblocks, NYDIG, FALCONX, BITFURY, ANCHORAGE, matrixport, AMBER

Networks & exchanges
CIRCLE, FTX, bakkt, Bullish Global, Bitso, ripple, Blockstream, MERCADO BITCOIN, bithumb, kraken

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

PICO, Thought Machine, zeta, 10x, JUMO, MAMBU, NYMBUS, r3., Spring, fintechOS, Finxact, technisys

Platforms & APIs

PLAID, DRIVEWEALTH, MX, unqork, Solarisbank, NIUM, tink, AMOUNT, pollinate, ClearBank, Railsbank, matchmove

Payments

B2B payments

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

Cross border & FX

Airwallex, Airwallex, Currencycloud, pingpong, LianLian Pay, thunes, veem, iBanFirst

Payroll & AP/AR

avidxchange, highradius, ARIA, tipalti, 趣链科技 Hyperchain, Chargebee, 慧算账, cloudpay, FreshBooks, PayFit

Payment platforms & POS

Paytm, stripe, sumup, ServiceTitan, toast, mollie, checkout.com, Rapyd, SaltPay, BharatPe

P2P & remittance

ZEPZ, wise, Remitly, CASH N'GO, TNG, PAYSEND, satispay, Chipper, AZIMO, transferGo

Regtech

Crime surveillance

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

Regulatory affairs & compliance

Trulioo, quantexa, TAXbit, Socure, enigma, complysci, CrossBorder Solutions, THETARAY, alloy, Tookitaki, ASCENT, droit

Risk management

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

Wealthtech

Advisortech

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

Wealthtech (cont.)

Alternative investments

LANDBAY, FUNDRISE, roofstock, Yieldstreet, CADRE, Rally, PeerStreet, EXPORO, Titan, Sharestates

Brokerage

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

Digital advisory

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

Investment tools & platforms

QHS Quantum Holding, raisin., 懒财网贷, TIPRANKS, Vestmark, 盈盈金科, True Link, Stocktwits

Retirement planning

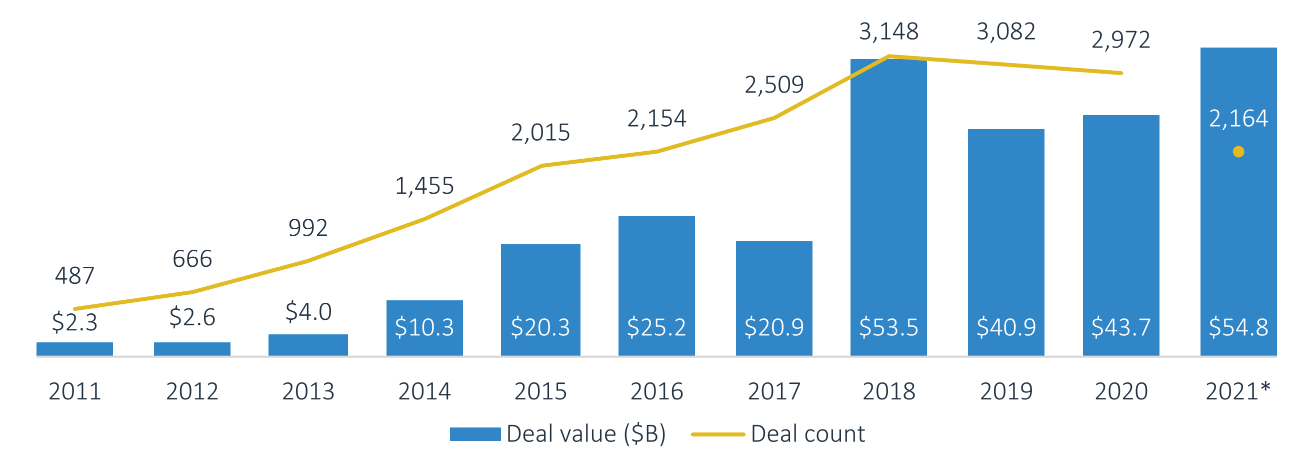
FIGURE, Aspiration, Guideline, Human Interest, Smart Pension, Vestwell, nextcapital, epsor, Facet Wealth

VC activity

In Q2 2021, fintech companies globally raised $30.9 billion in VC across 1,801 deals. This far surpassed the previous record high of $21.4 billion from Q2 2018—a quarter that included **Ant Group**'s $14.0 billion Series C. Payments companies continue to drive a large proportion of deal value, at $7.8 billion, a 25.0% QoQ increase. Netherlands-based **Mollie**, a direct competitor of **Stripe**, raised the largest round of the quarter with its €665.0 million ($805.8 million) Series C led by Blackstone. Other notable payment deals of the quarter include point-of-sale (POS) hardware and software developer **SaltPay**'s $500.0 million Series C, B2B payments and expense card management provider **Brex**'s $425.0 million Series D, and Mexico-based POS hardware provider **Clip**'s $250.0 million late-stage round. Alternative lending also had a strong quarter, fueled by startups offering home-buying solutions during this surging real estate market. Of the largest real estate lending rounds of the quarter, **Better.com** raised a $500.0 million late-stage round, **Generation Home** raised a $452.6 million Series A, and **Unison** raised a $210.0 million late-stage round. Other notable alternative lending deals beyond real estate include earned wage access provider **DailyPay**'s $500.0 million Series D and auto lending platform **Lendbuzz**'s $360.0 million Series C.

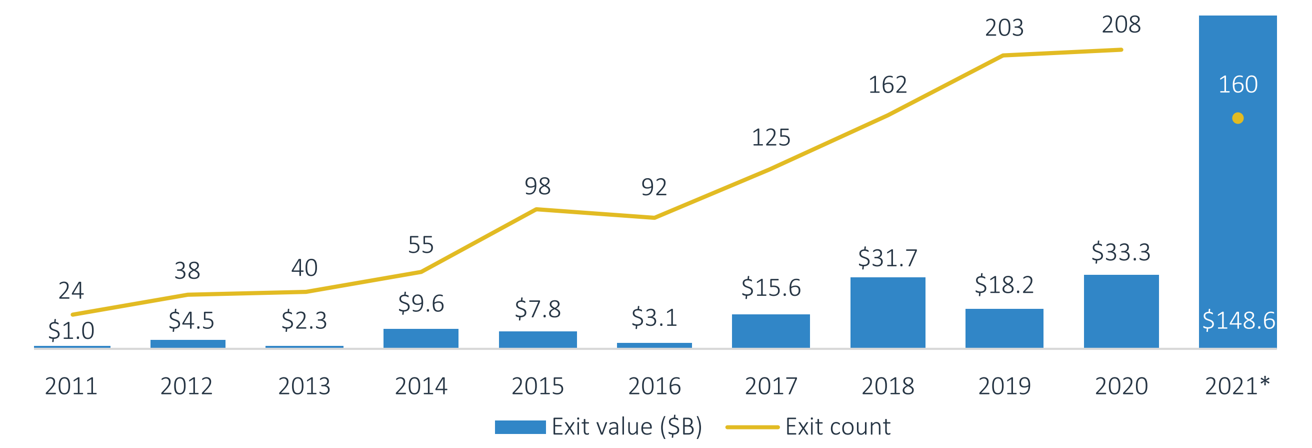
During the quarter, the median pre-money valuation for VC-backed, late-stage fintech remained elevated, at $301.0 million. Early-stage median valuations continue to reach new highs, at $35.0 million—up from $30.0 million in Q1. Valuation multiples have also continued to climb, with the median reaching 19.5x revenue in Q2 from 16.0x in 2020. If this holds through the end of the year, it will represent the highest recorded median revenue multiple for VC-backed fintech companies.

Figure 2. **FINTECH VC DEAL ACTIVITY**



Source: PitchBook | Geography: Global | *As of June 30, 2021

Figure 3. **FINTECH VC EXIT ACTIVITY**

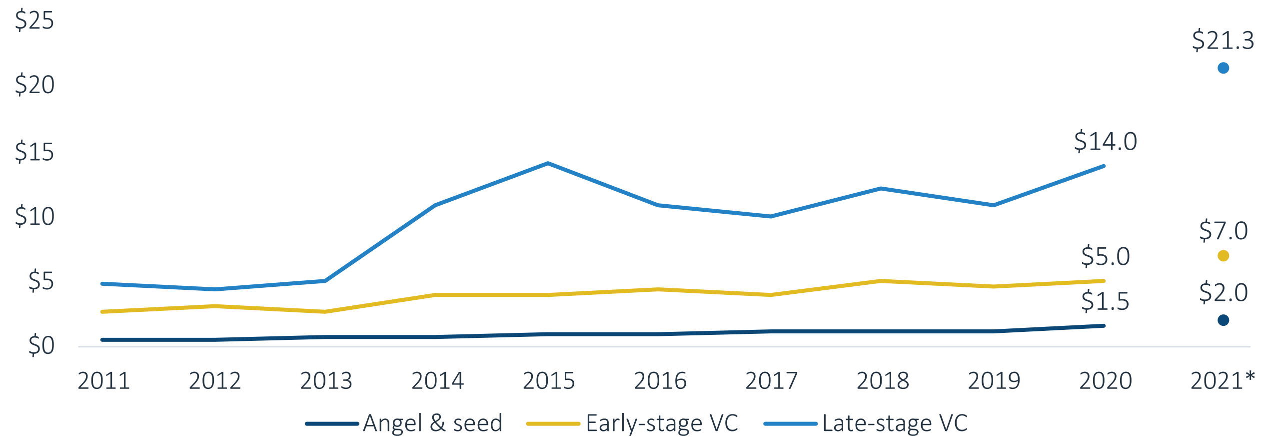


Source: PitchBook | Geography: Global | *As of June 30, 2021

VC ACTIVITY

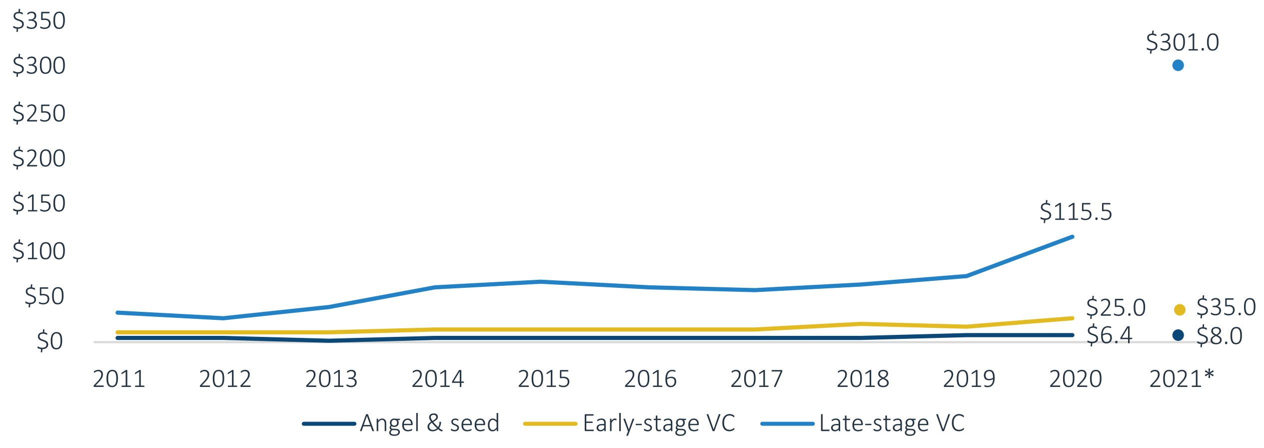
Fintech VC exits exploded during the quarter, with a cumulative value of $134.2 billion over 81 exits—a record value and count. For context, the combined trackable exit value for all fintech companies since the beginning of 2014 to Q1 2021 was $133.7 billion. The quarter's exit value was driven by **Coinbase**'s (NASDAQ: COIN) $85.8 billion direct listing. Other notable public listings include **Marqeta** (NASDAQ: MQ), China-based supply chain financing platform **Linklogis** (HKG: 09959), Uruguayan cross-border payments provider **dLocal** (NASDAQ: DLO), and **SoFi** (NASDAQ: SOFI). Notable exits via M&A include **Bill.com**'s $2.5 billion acquisition of expense management platform **Divvy**, IG Group's (LSE: IGG) $1.0 billion acquisition of brokerage and investment content provider **tastytrade**, and **JPMorgan Chase**'s (NYSE: JPM) $989.4 million acquisition of retirement and investing platform **Nutmeg**.

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



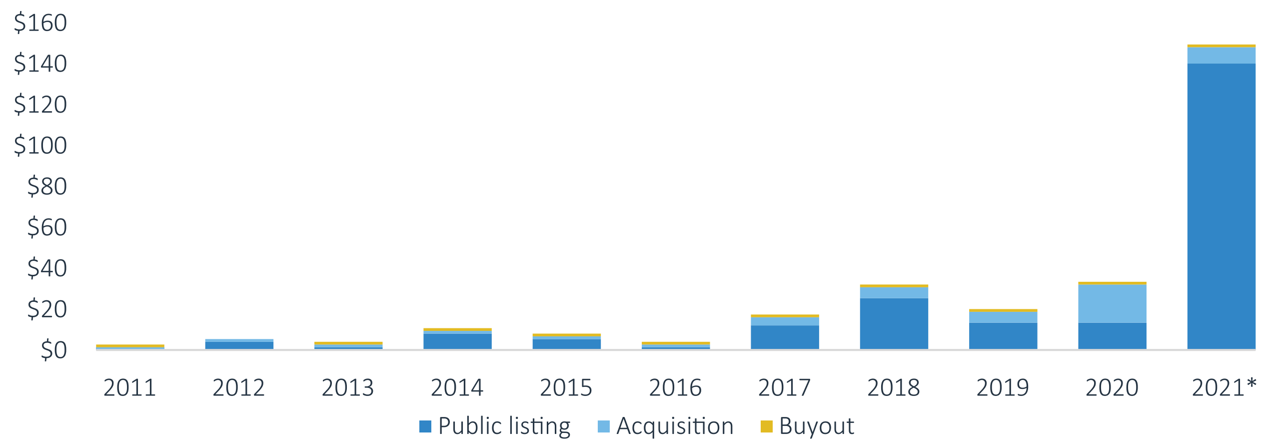
Source: PitchBook | Geography: Global | *As of June 30, 2021

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



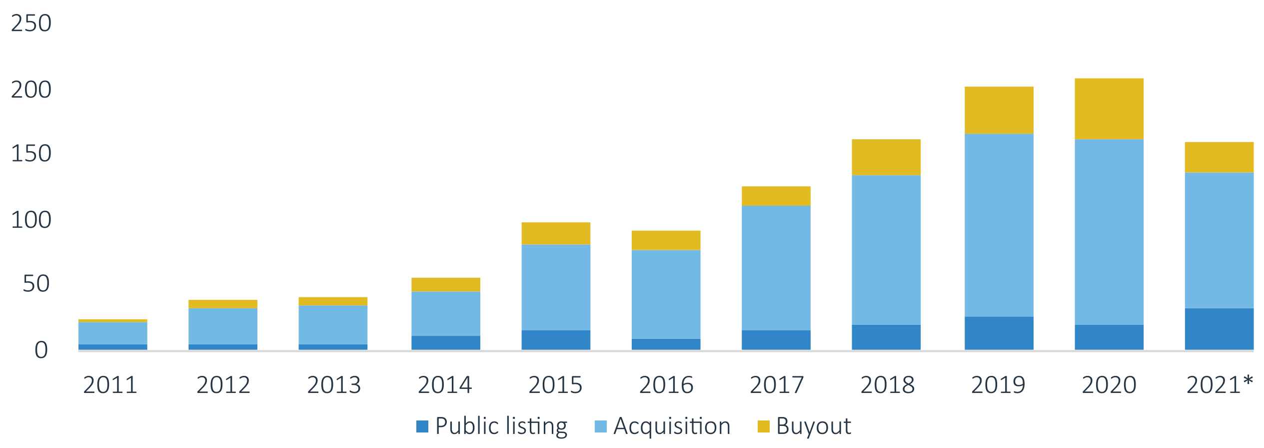
Source: PitchBook | Geography: Global | *As of June 30, 2021

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



Source: PitchBook | Geography: Global | *As of June 30, 2021

Figure 7. FINTECH VC EXIT COUNT BY TYPE



Source: PitchBook | Geography: Global | *As of June 30, 2021

Figure 8.

Key fintech seed deals

COMPANY	CLOSE DATE	SUBSEGMENT	DEAL SIZE ($M)	LEAD INVESTOR(S)	VALUATION STEP-UP*
Arrived Homes	June 16, 2021	Alternative investments	$46.5	Core Innovation Capital	N/A
WonderFi	May 25, 2021	Digital securities and services	$20.0	Kevin O'Leary	N/A
MAJORITY	June 22, 2021	Digital banking	$19.0	Valar Ventures	N/A
Globe	May 4, 2021	Networks and exchanges	$18.0	Y Combinator, Pantera Capital	N/A
Sorbet	June 24, 2021	Payroll and AP/AR automation	$15.0	Group 11	3.4x
re:ceeve	May 6, 2021	Payroll and AP/AR automation	$13.5	Seaya Ventures	N/A
Qredo	May 3, 2021	Blockchain platforms	$11.0	N/A	N/A
Ramp	June 15, 2021	Digital securities and services	$10.2	NFX, Galaxy Digital Holdings	N/A
Pagos	April 15, 2021	Platforms and APIs	$10.0	N/A	N/A
Weavr	June 4, 2021	Platforms and APIs	$9.9	N/A	3.3x

Source: PitchBook | Geography: Global | *As of June 30, 2021

Figure 8.

Key fintech early-stage VC deals

COMPANY	CLOSE DATE	SUBSEGMENT	STAGE	DEAL SIZE ($M)	LEAD INVESTOR(S)	VALUATION STEP-UP*
Pipe	May 19, 2021	Alternative capital	Early-stage VC	$250.0	Greenspring Associates	10.5x
Jeeves	June 2, 2021	B2B payments	Series A	$131.0	Andreessen Horowitz	N/A
Capchase	June 4, 2021	Alternative capital	Series A	$125.0	QED Investors	N/A
Ramp	April 8, 2021	B2B payments	Series B	$115.0	D1 Capital Partners, Stripe	5.4x
Tamara	April 22, 2021	Credit and BNPL	Series A	$110.0	Checkout.com	N/A
Agicap	May 27, 2021	Payroll and AP/AR automation	Series B	$100.0	Greenoaks Capital Partners	9.4x
LinkAja	April 21, 2021	Wallets and super apps	Series B	$100.0	Grab	N/A
Amber Group	June 21, 2021	Digital securities and services	Series B	$100.0	China Renaissance	9.0x
Accept.inc	June 24, 2021	Real estate lending	Early-stage VC	$90.0	SignalFire	N/A
Vivid Money	April 29, 2021	Digital banking	Series B	$87.1	Greenoaks Capital Partners	3.0x

Source: PitchBook | Geography: Global | *As of June 30, 2021

Figure 9.

Key fintech late-stage VC deals

COMPANY	CLOSE DATE	SUBSEGMENT	STAGE	DEAL SIZE ($M)	LEAD INVESTOR(S)	VALUATION STEP-UP*
Nubank	June 8, 2021	Digital banking	Series G	$1,150.0	Government of Singapore Investment Corporation (GIC), Berkshire Hathaway, Sands Capital, Invesco, Whale Rock Capital Management	N/A
Trade Republic	May 20, 2021	Brokerage	Series C	$900.0	Sequoia Capital	17.1x
Mollie	June 22, 2021	Payment platforms and POS	Series C	$805.8	The Blackstone Group	5.7x
Klarna	June 10, 2021	Credit and BNPL	Late-stage VC	$639.0	SoftBank Investment Advisers	11.7x
Wealthsimple	May 3, 2021	Digital advisory	Series D	$600.7	Greylock Partners, Meritech Capital Partners	3.3x
Better	April 13, 2021	Real estate lending	Late-stage VC	$500.0	N/A	1.4x
DailyPay	May 18, 2021	Microlending	Series D	$500.0	Carrick Capital Partners	1.8x
SaltPay	April 9, 2021	Payment platforms and POS	Series C	$500.0	N/A	N/A
Starling Bank	June 22, 2021	Digital banking	Series D	$453.7	Fidelity Management & Research	N/A
Brex	April 26, 2021	B2B payments	Series D	$425.0	Tiger Global Management	2.6x

Source: PitchBook | Geography: Global | *As of June 30, 2021

VC ACTIVITY

Figure 10.

Key fintech VC exits

COMPANY	CLOSE DATE	SUBSEGMENT	EXIT SIZE ($M)	EXIT TYPE	ACQUIRER(S)/INDEX	VALUATION STEP-UP*
Coinbase	April 14, 2021	Networks and exchanges	$85,800.0	Public listing	NASDAQ	N/A
Marqeta	June 9, 2021	Platforms and APIs	$13,089.4	Public listing	NASDAQ	1.2x
Linklogis	April 9, 2021	Commercial lending	$4,260.2	Public listing	EDBI, BlackRock, Ontario Teachers' Pension Plan, Sequoia Capital China, Janus Henderson Investors, Fidelity International	2.8x
dLocal	June 3, 2021	Payment platforms and POS	$2,936.0	Public listing	NASDAQ	0.6x
Divvy	June 1, 2021	B2B payments	$2,500.0	Acquisition	Bill.com	1.4x
SoFi	May 28, 2021	Digital banking	$2,400.0	Public listing	NASDAQ	N/A
Alkami	April 14, 2021	Platforms and APIs	$2,314.1	Public listing	NASDAQ	1.6x
Flywire	May 26, 2021	Cross border and FX	$2,186.4	Public listing	NASDAQ	N/A
tastytrade	June 28, 2021	Investment tools and platforms	$1,000.0	Acquisition	IG Group	3.1x
Nutmeg	June 18, 2021	Digital advisory	$989.4	Acquisition	JPMorgan Chase	3.1x

Source: PitchBook | Geography: Global | *As of June 30, 2021

VC ACTIVITY

Figure 11.

Top strategic acquirers of fintech companies since 2016

INVESTOR	DEAL COUNT*	INVESTOR TYPE
Coinbase	12	Corporation
Visma Group	11	PE-backed company
ION Group	10	PE-backed company
Arthur J. Gallagher & Co.	9	Corporation
Accenture	9	Corporation
Fiserv	9	Corporation
PayPal Holdings	9	Corporation
Kraken	8	VC-backed company
Broadridge Financial Solutions	8	Corporation

Source: PitchBook | Geography: Global | *As of June 30, 2021

Figure 12.

Top VC investors in fintech companies since 2016

INVESTOR	DEAL COUNT*	INVESTOR TYPE
500 Startups	218	VC
Ribbit Capital	124	VC
Digital Currency Group	113	CVC
Andreessen Horowitz	113	VC
Global Founders Capital	101	VC
QED Investors	100	VC
Anthemis Group	95	VC
Coinbase Ventures	94	CVC
Accel	94	VC
Alumni Ventures Group	89	VC

Source: PitchBook | Geography: Global | *As of June 30, 2021

Figure 13.

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

COMPANY	VC RAISED ($M)*	SEGMENT	CATEGORY
Paytm	$5,330.2	Payments	Payment platforms and POS
Klarna	$3,865.3	Consumer finance	Credit and BNPL
JD Digits	$3,141.3	Consumer finance	Credit and BNPL
Nubank	$2,358.6	Consumer finance	Digital banking
Suning Finance	$2,257.5	Consumer finance	Digital banking
Stripe	$2,235.0	Payments	Payment platforms and POS
Chime	$1,541.6	Consumer finance	Digital banking
AvidXchange	$1,144.1	Payments	Payroll and AP/AR automation
ServiceTitan	$1,099.8	Payments	Payment platforms and POS
Revolut	$1,018.1	Consumer finance	Digital banking

Source: PitchBook | Geography: Global | *As of June 30, 2021

Emerging opportunities

Treasury automation

Autonomous finance solutions for corporate treasuries

Faster checkout

Companies are racing to speed up every point of sale

Core banking technology

Core banking opportunities remain slow and steady

Treasury automation

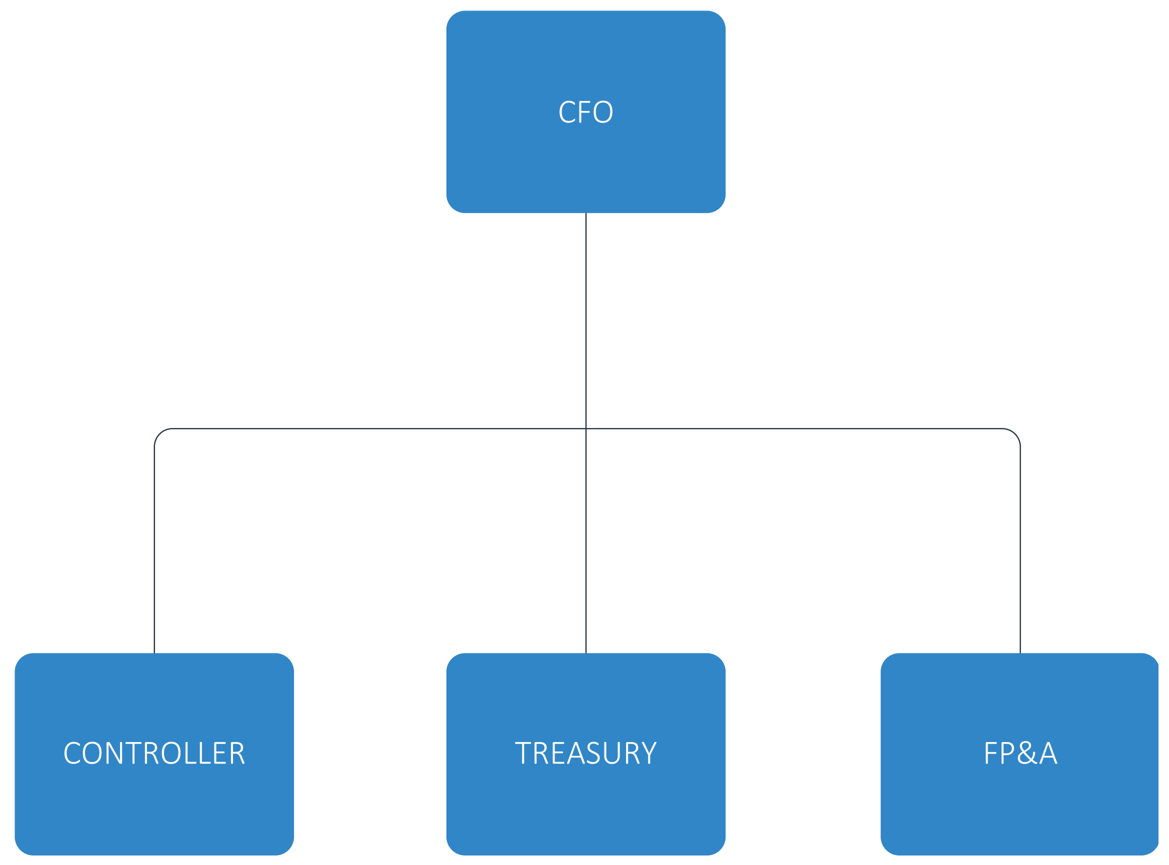
Autonomous finance, the trend toward full automation of financial management, is ushering in a new category of applications with retail and enterprise use cases. Focused on the CFO-suite, emerging enterprise-focused fintech startups are using artificial intelligence & machine learning (AI & ML) technology 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

Over the past few years, the responsibilities of corporate treasurers have shifted from predominantly handling the collection and use of cash to being more strategic in scope. Corporate treasurers today are key decision-makers of businesses and are expected to effectively manage cash flows, liquidity, financial risks, and the capital structure of their organizations. Although the roles have evolved, traditional processes have not. Highly manual methods and workflows are still prevalent in these functions, particularly within small and medium-size businesses (SMBs). Even for larger organizations that have relied on Treasury Management Systems (TMS) or Enterprise Resource Planning (ERP) to manage complex treasury operations, these systems still have very few automation features and require highly skilled personnel to manage.

Emerging fintech treasury management solutions are providing automation features, such as continuous cash forecasting, transaction categorization, and automatic reconciliation. While some startups such as **Brex** and **Ramp** have developed expense and cash management

Figure 14. **OFFICE OF THE CFO**



platforms, treasury automation startups provide a more holistic view of a company's finances. Further, fintech treasury management solutions also leverage banking APIs to communicate with banks, as opposed to secure file transfer protocol (SFTP) and applicability statement 2 (AS2) protocols typically used within traditional TMS. APIs are faster and cheaper to integrate with banks, require less IT maintenance, and enable real-time access to data.

Modern Treasury is a treasury management platform developed for new business models, including online marketplaces, neobanks, and cryptocurrency platforms. The platform leverages APIs to integrate with company bank accounts, accounting software, and payment services. The full stack payment operations solution enables companies to conduct real-time payments, close books instantly via continuous accounting, and reconcile cash automatically across all financial accounts. This allows corporate finance teams to process payments faster, spend less time on approvals, improve counterparty risk management, and track balances in multiple currencies. Current **Modern Treasury** customers include **Revolut**, **Pipe**, **Classpass**, and **BlockFi**.

Figure 14.

Privately held treasury automation startups by latest deal amount

COMPANY	HQ LOCATION	LATEST DEAL DATE	LATEST DEAL TYPE	LATEST DEAL AMOUNT ($M)*
GTreasury	Buffalo Grove, Illinois, US	December 2019	PE growth	$42.0
Modern Treasury	San Francisco, California, US	January 2021	Early-stage VC	$38.0
TIS	Walldorf, Germany	May 2020	Late-stage VC	$20.0
Cobase	Amsterdam-Zuidoost, Netherlands	June 2020	Late-stage VC	$11.0
Cashforce	Antwerp, Belgium	October 2019	Late-stage VC	$5.5
Planixs	Manchester, UK	February 2019	Later-stage VC	$4.8
Treasure	San Francisco, California, US	September 2020	Seed	$3.5
Airbank	Berlin, Germany	June 2021	Seed	$3.0
Treasury4	Spokane, Washington, US	August 2021	Angel	$2.3
Kayenta	London, UK	August 2021	Angel	$0.6

Source: PitchBook | Geography: Global | *As of June 30, 2021

Faster checkout

In 1997, **Amazon** (NASDAQ: AMZN) patented the 1-Click checkout that allows customers to store credentials and payment details online for a more seamless purchase process, thus reducing the friction that accompanies logging in, entering personal details, providing payment information, and selecting shipping options. 1-Click proved to be an enormous advantage, as few online retailers—including **Apple** (NASDAQ: AAPL), which licensed the technology for its App Store and iTunes—were able to offer a competitive product.

In 2017, **Amazon**'s patent expired, which opened the door to a wave of new one-click offerings in the e-commerce space. These include **Shopify**'s (TSE: SHOP) Shop Pay and **PayPal**'s (NASDAQ: PYPL) One Touch. A host of fintech startups, including **Bolt**, **Fast**, and **PeachPay**, have developed integrated, faster checkout options for virtually any merchant selling online. Faster checkout providers have asserted that speeding up the checkout process can lead to higher shopping cart conversion, larger average purchases, and a better customer experience. Still, it is estimated that around 70% of online shopping carts are abandoned each year at a cost to retailers of roughly $18 billion in lost revenues.[3,4] This suggests the market opportunity remains substantial.

In addition to online retail, startups have turned their attention to other areas of online payments wherein cumbersome checkout processes are common and ripe for disruption. For instance, paper checks still dominate commercial insurance purchases, thus creating an opportunity for startups focused on providing one-click payment and renewal features for this market. One such startup, **Ascend**, offers an end-to-end payment platform that distributes commissions and carrier payables so brokers and MGA customers can get paid instantaneously. For insurers, accelerating checkout and renewal processes by integrating quoting and binding along with payments may lead to higher conversion. While the purchase frequency of commercial insurance is much lower than retail e-commerce, the economics for payment service providers can still be attractive due to larger commissions and higher average purchase price.

In a world where speed and convenience are increasingly important, we expect faster checkout solutions to become prevalent at any point of sale. We see several areas of opportunity across various virtual and in-store checkout processes and have noted a trend of startups offering niche faster payment solutions. For example, several providers focus on the retail market, including **Amazon**'s Just Walk Out and startups **Grabango** and **Caper.ai**. **Divvy** seeks to become the one-click checkout for home purchases; **Balance** for B2B; **Lendbuzz** for auto purchases; and CarIQ for on-the-road purchases.

3: **"44 Cart Abandonment Rate Statistics," Baymard Institute, 2021, accessed August 15, 2021.**
4: "Shopping Cart Abandonments: An $18B Opportunity," Dynamic Yield, Yaniv Navot, accessed August 15, 2021.

Core banking technology

Core banking systems are fundamental to the operations of retail banks and consist primarily of the back-end processes banks use to maintain customer accounts, record transactions, move money, and generate financial reports. Bank core system technology was first developed in the 1950s, when programming languages such as COBOL and Fortran were the main tools used to create computer software. Today, many legacy banks still rely on outdated core technology infrastructure. This is because legacy systems are often deeply entrenched across a multitude of bank operations, thus making them difficult to replace without significant risk. Decades of bank consolidation and the patching together of different systems over time have also contributed to the complexity of core technology upgrades, as the number of banks in the US has decreased 62% since 1990.[5]

The core banking market in the US is concentrated, with legacy providers **Finastra**, **Jack Henry** (NASDAQ: JKHY), **FIS** (NYSE: **FIS**), **Fiserv** (NASDAQ: FISV), and **Oracle** (NYSE: ORCL) holding 95% of the market.[6] While these systems have provided scale—mainframes can process billions of transactions per day versus millions for cloud servers—and reliability, legacy core systems have limited banks' capabilities in developing new financial products and services. The COVID-19 pandemic exposed traditional banks' inability to deliver digital offerings such as fully digital onboarding. During the pandemic, neobanks, which operate on modern, cloud-based cores, generally have been more prepared from a technology perspective to respond quickly to market conditions. Compared with traditional banks, neobanks can both more quickly onboard customers online and provide customers with advance access to funds either from government stimulus checks or paychecks.

In a recent Gartner Legacy Modernization Survey, 97% of banks indicated they plan to replace or upgrade core banking systems.[7] While this represents a large market opportunity, migrating to new core banking systems is both costly and risky, which results in slower adoption cycles relative to other areas of high-growth software as a service (SaaS). In 2018, **TSB Bank** in the UK encountered technical problems when implementing a core banking upgrade. These technical problems resulted in millions of customers being locked out of their accounts for about one week, with some being locked out for more than a month. Core banking vendors finding success are striking lengthy partnerships to help bank partners modernize incrementally. For example, **Finxact**'s core-as-a-service offering is cloud native, API first, and allows banks to start with a hybrid model, wherein banks operate legacy systems in conjunction with the new platform. This allows for an iterative migration process. We believe these types of solutions will be more attractive to banks as they lower the risk of operational disruption but simultaneously allow banks to modernize their core systems.

5: "Historical Bank Data: Number of Institutions, Branches & Total Offices," FDIC, December 31, 2018.
6: **"Core Banking Systems Primer," Fintech In Depth, Roshni Joshi & Sophie Meralli, April 29, 2021.**
7: "Core Legacy Modernization to Enable Digital Business - What Works and What Doesn't," Gartner, Don Free, 2019.

CORE BANKING TECHNOLOGY

Thought Machine is another cloud-native core banking technology developer. Its core banking engine, Vault, is built on a microservice architecture that has the flexibility to add functionality over time. Vault is geared toward retail and small business banks and can run banking products such as checking, savings, loans, credit cards, and mortgages. Banks have the option to either configure the products themselves or have **Thought Machine** run them. **Thought Machine** counts traditional banks such as **Lloyds** (LSE: LLOY), **Standard Chartered** (LSE: STAN), and **SEB** and neobanks including **Atom Bank** and **Monese**, as its customers.

CORE BANKING TECHNOLOGY

Figure 13.

Top VC-backed core banking startups by total raised

COMPANY	HQ LOCATION	YEAR FOUNDED	TOTAL RAISED ($M)	LATEST DEAL DATE	LATEST DEAL TYPE	LATEST DEAL AMOUNT ($M)*
Zeta	San Francisco, California, US	2015	$350.0	May 2021	Series C	$250.0
10x	London, UK	2016	$281.4	June 2021	Series C	$187.0
Mambu	Amsterdam, Netherlands	2011	$179.5	January 2021	Series D	$133.9
Thought Machine	London, UK	2014	$145.9	July 2020	Series B	$122.1
Nymbus	Miami Beach, Florida, US	2015	$134.3	August 2021	Late-stage VC	$3.0
FintechOS	London, UK	2017	$76.9	April 2021	Series B	$60.0
Finxact	Jacksonville, Florida, US	2016	$74.8	February 2021	Series A	$74.8
Ohpen	Amsterdam, Netherlands	2009	$47.5	April 2019	Series C	$30.6
Urban FT	New York, New York, US	2012	$15.0	December 2014	Early-stage VC	$2.0
Neocova	Saint Louis, Missouri, US	2019	$9.6	January 2020	Series A	$9.6

Source: PitchBook | Geography: Global | *As of June 30, 2021

Select company highlights

Parafin

Founded
2020

Total VC raised
$4.0M

HQ location
San Francisco, CA

Lead investor
Ribbit Capital

Overview

Parafin offers a capital as a service for online platforms. The company enables marketplaces, vertical SaaS, and POS platforms to offer one-click financing to sellers on their platforms. **Parafin** leverages seller data on these platforms to underwrite business loans from $500 to $250,000. Platforms offering these loans to their sellers can increase platform stickiness, add an additional revenue stream via fees from **Parafin**, and experience a boost in gross merchandise value (GMV), as sellers use the loan to increase their businesses. While the BNPL model has exploded in popularity the past few years, we expect "grow now, pay later" solutions, which provide funding to the merchant side of e-commerce, will continue gaining traction. Some of **Parafin**'s competitors include **Clearco**, **Lighter Capital**, **Pipe**, and **Capchase**.

Leadership

The **Parafin** founding team met during their time at **Robinhood** (NASDAQ: HOOD). CEO Sahill Poddar worked at **Robinhood** for four years as the Head of Machine Learning Engineering before leaving to start **Parafin**. Poddar was previously at **Facebook** (NASDAQ: FB) and ad platform **LiquidM**. CPO Vineet Goel also worked at **Robinhood** for four years as the Head of Risk and Fraud Engineer before leaving. President Ralph Furman was previously at **Robinhood** as a data scientist and at **Numerai** as a chief scientist.

Financing history

In October 2020, **Parafin** raised a $4.0 million seed round led by Ribbit Capital. Index Ventures, Thrive Capital, Greenoaks Capital Partners, SV Angel, and co-founders of various prominent tech companies such as **Robinhood**, **Chime**, **Carta**, and **DoorDash** (NYSE: DASH) also participated in the round.

SELECT COMPANY HIGHLIGHT | MK DECISION

Founded
2015

Total VC raised
$75,000

HQ location
San Diego, CA

Overview

MK Decision developed a credit card and loan origination platform for community and regional banks. The platform lets banks digitally onboard customers and streamline back-office operations. MK leverages three primary integration products: CreditConnect, IdentityConnect, and CoreConnect. CreditConnect allows banks to instantly gain access to credit history from any applicant via API. IdentityConnect automates identity verification processes to prevent fraud and deploy real-time know-your-customer (KYC) checks. CoreConnect provides an end-to-end data connection to a bank's core, thereby reducing the friction and operational costs of manually entering data or processing payments. MK's customers include **Sutton Bank**, **Bankers' Bank**, and **Citizens State Bank**.

Leadership

MK Decision was co-founded by CEO Har Khalsa and COO Guru Khalsa. Har previously held sales roles at various financial companies. Guru was previously CEO for 108 Solutions, a financing and lending company for government employees and active-duty military. CIO Mostafa Raddaoui previously spent more than 15 years in technology roles at **MUFG** (NYSE: MUFG) and Fannie Mae.

Financing history

MK Decision graduated from The Venture Center's 2019 ICBA ThinkTECH Accelerator in March 2019, where it received $75,000 in funding.

SELECT COMPANY HIGHLIGHT | BANKED

Banked :

Founded
2018

Last financing
raised $2.9M in a seed round

Total VC raised
$8.7M

HQ location
London, UK

Lead investors
Force Over Mass Capital, Backed VC

Overview

Banked is a payment platform for online merchants that allows their customers to pay using their bank accounts. Instead of entering payment card details as is typical within most e-commerce checkout processes, **Banked** requires customers only to log in to their banks via the **Banked** payment interface. Compared with card payments, transaction fees are much lower in direct bank payments. Paying via bank is also typically more secure than credit, thus reducing fraud and chargebacks for merchants. For the merchants' customers, paying by bank can be faster and more secure, and refunds are instant if a product or service is returned.

Leadership

Banked is co-founded by CEO Brad Goodall, COO Neil Ambler, Chief Innovation Officer Ellen Fernandes, and Chief Creative Officer Patrick Cox. Prior to **Banked**, Goodall co-founded core banking startup **10x**, where Ambler, Fernandes, and Cox all previously worked. Prior to **10x**, Goodall was CEO and COO at two technology startups, and Ambler was an M&A consultant, including working three years at EY. CTO Joe Pettersson previously held Head of Engineering roles at various technology companies.

Financing history

In May 2020, the company closed a $2.9 million seed round led by Force Over Mass Capital, with participation from Backed VC, Acrew Capital, Fabric Ventures, Paul Forster, and other undisclosed individual investors. The company previously raised $5.8 million in multiple seed and angel rounds.

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