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Contents

| | |
|---|---|
| Key takeaways | 1 |
| Conference overview | 2 |
| Investor perspectives | 3 |
| Key themes in focus | 4 |
| Meeting notes | 7 |

EMERGING TECH RESEARCH

# Core Insights and Takeaways From Fintech Meetup 2024

A recap of key themes, discussions, and conversations

PitchBook is a Morningstar company providing the most comprehensive, most accurate, and hard-to-find data for professionals doing business in the private markets.

## Key takeaways

- Generating alpha remains challenging for investors, but many GPs are still raising new funds and doubling down on their theses in fintech. Opportunities currently favored by VCs are primarily in generative artificial intelligence, embedded finance, payments (real-time transactions and cross-border payments), and wealth tech (alternative assets and tax/estate planning). Other well-liked areas include bank technology, CFO stack, and crypto—specifically in stablecoins and central bank digital currencies. Conversely, many investors continue to shy away from B2C models, neobanks, and lending.

- Valuation discrepancies still exist between investors and companies, contributing to a slower rate of VC deals and acquisitions. Still, Q1 2024 has seen some notable VC deals from Monzo and Synctera, as well as acquisitions including Capital One/Discover, Nationwide/Virgin Money, and Barclays/Tesco Bank.

- The growing regulatory crackdown in the banking-as-a-service sector was viewed in a positive light, and more so as an evolutionary phase necessary for a better future for bank-fintech partnerships. The overwhelming consensus at the conference was that bank-fintech partnerships will continue to be the preferred model and that banking-as-a-service will remain essential to helping both banks and fintech companies find success.

- Payments continues to be a sector that sees ample opportunities and significant deployment of venture capital (the sector raised $3.0 billion in VC in 2023 excluding Stripe's $6.9 billion deal). Discussions in this sector primarily revolved around (1) instant payments, (2) open banking and account-to-account payments, and (3) cross-border transactions.

- The fintech industry continues to see a mass exploration of generative artificial intelligence opportunities. Most operational use cases still appear to be primarily geared toward creating internal efficiencies. Beyond driving operational excellence, we are now seeing more companies evaluate how they can enhance product features and bolster customer-facing services.

- AI & ML will continue to play a significant role in the lending industry. Innovators in underwriting are continuing to enhance their models by incorporating alternative datasets such as transaction data or payroll data. Generative artificial intelligence will not play a role in making the end decisions for lending, but it will be a useful tool to help with functions such as pre-processing unstructured data or for automated feature engineering.

## Conference overview

Fintech Meetup is an annual conference that takes place in Las Vegas. This year's event ran from March 3 to March 6 and saw participation from more than 4,300 attendees, 200 speakers, and 350 sponsors. Fintech Meetup uniquely focuses on enabling connections and optimizing one-on-one networking through tech-facilitated meetings. More than 46,000 scheduled meetings occurred at the conference between fintech startups, investors, analysts, banks, credit unions, retailers, large technology companies, and law firms. In the sections below, we highlight key topics and discussions from the conference as well as the main takeaways from our meetings with other participants.

### *Industry outlook*

Looking back to Q4 2023, the fintech industry appeared to be dominated by a prevailing sense of pessimism. This negative outlook was largely because of challenging macro-level factors; significantly lower valuations for some fintechs, a lack of M&A and IPOs, higher interest rates, lower capital availability, and heightened geopolitical tensions brought fintech VC deal value down 43.8% YoY to $34.6 billion in 2023. Valuation levels remained in flux, creating a hurdle for completing additional VC investments and M&A deals (we recorded a 45.8% YoY decline in North American fintech M&A deal activity to $28.3 billion in 2023). Further, one of the biggest scares that emerged in Q4 2023 was the growing turmoil in the banking-as-a-service (BaaS) industry. An increasing number of consent orders issued to sponsor banks highlighted a lack of proper risk management for many fintech companies and their partner banks, leading to the reduction of many BaaS programs, which threatens the backbone of many fintech solutions.

However, Fintech Meetup 2024 suggested that industry stakeholders are now adopting a more positive view of the sector's trajectory. Venture capitalists expressed optimism about continuing to invest in the sector, while startups and operators remained passionate about the problems they are attempting to solve. Furthermore, the growing regulatory crackdown in the BaaS sector was viewed in a positive light as an evolutionary phase necessary for a better future for bank-fintech partnerships. The sector has also recently seen bright spots in deals. Alongside the conference, BaaS startup Synctera announced a Series A extension of $18.6 million (co-led by Lightspeed Venture Partners and Fin Capital with notable participation from National Bank of Canada's VC arm, NAVentures), and UK neobank Monzo revealed its $429.4 million late-stage round (led by CapitalG and GV), securing the company a post-money valuation of $5.1 billion versus its prior post-money valuation of $4.6 billion.

## Investor perspectives

Venture capitalists expressed their continued optimism for the fintech industry. Investors noted that despite the retreat in VC deal activity last year, they were still looking for opportunities to deploy capital. Panelists from Deciens Capital, Anthemis Group, Cohen Circle, and Searchlight Capital Partners noted on stage that 2023 was still a lucrative year for deploying cash. Some VCs noted that some of their more significant investments were even made last year. Our conversations with fintech-focused investors at the conference also suggest many GPs are raising new funds and doubling down on their theses in fintech.

Opportunities currently favored by VCs appear to primarily be in generative artificial intelligence (GenAI), embedded finance, payments (real-time transactions and cross-border payments), and wealth tech (alternative assets and tax/estate planning). Other well-liked areas include bank technology, CFO stack, and crypto—specifically in stablecoins and CBDCs. Conversely, many investors continue to shy away from B2C models, neobanks, and lending. However, we continue to see significant opportunities in these segments. Lending remains a critical function for serving both consumers and businesses, and we have previously written about why we think consumer fintech companies deserve positive re-ratings. The recent release of Q4 2023 earnings also shows improving financial results from consumer fintech companies such as Affirm (reporting a 48.2% YoY improvement in its net loss) and Dave (achieving profitability with a GAAP net income of $0.2 million).

Still, despite an abundance of opportunities and optimism for fintech, investors conveyed how difficult it is to generate alpha in the current environment. VCs are indeed more discerning about writing checks and have become more disciplined in evaluating deals. Startups are also reducing burn rates. While we believe many startups will eventually look to secure new runway, we have not yet seen a wave of desperately sought-out capital injections. In 2023, just 12.7% of deals for North American fintech startups were down rounds (although up from 5.4% in 2022), while 75.2% were up rounds (down from 90.6% in 2022).

One recurring theme we encountered was the disagreement in valuation levels. It appears investors and companies alike are still struggling to agree on the correct multiples. This has further contributed to slower rates of VC deals and acquisitions. Some notable M&A has been seen thus far in Q1, however, such as Capital One's all-stock acquisition of Discover for $35.3 billion, Nationwide's acquisition of Virgin Money for $3.7 billion, Barclays' acquisition of Tesco Bank for $761.2 million, and Fiserv's and Amadeus' competing bids to acquire Shift4 Payments. Investors also pointed out the dissonance in public and private market valuations; large public companies have generally outperformed in recent quarters while private markets have lagged. Further observing multiples for public fintech companies reveals a mix in performance. Top performers on a YoY basis include neobanks, brokers, and crypto companies (3.7x median EV/TTM sales, +57.9% YoY) while laggards include high-growth fintech companies (3.0x median EV/TTM sales, -9.0% YoY).

When asked what advice they would give founders, VCs at the conference communicated similar themes. Investors said they continue to look for startups

that are diligent in allocating resources effectively and are focused on core projects. Christopher Cruz, Partner at Searchlight Capital Partners, encapsulated this notion on stage with the statement, "Not every idea is a good idea anymore when the cost of capital has risen." Still, VCs recognized that balancing growth and cash burn is no easy feat. Investors also noted they value founders with unique backgrounds and varying perspectives that enable them to create uncommon solutions. They additionally noted that founders that stand out are those that can keep an open mind. Specifically, investors appreciate founders that demonstrate the willingness to pivot into new markets or to bring in shareholders that have more balanced views. Finally, VCs recommended that founders learn how to sell—correlating the skill to the success of securing funding—and learn how VC unit economics work.

## Key themes in focus

The scarcity of capital and normalization in valuations have led investors and startups to focus on core issues in fintech. Tracks at the conference centered around underlying topics in banking, lending, payments, fraud/risk, and compliance. We highlight the main themes in the following sections.

### *The future of BaaS will be bright*

The future of the BaaS industry was perhaps the most prevalent topic at the conference. Concerns over risk management and where bank-fintech partnerships are headed came as no surprise, however, given the laundry list of consent orders recently issued to banks. To highlight a few, we have seen consent orders and fines targeted at Cross River Bank, Chime, Metropolitan Commercial Bank, First Fed Bank, Choice Bank, Lineage Bank, and Green Dot Corporation relating to inadequate risk controls and practices surrounding their third-party relationships. This has caused BaaS providers to begin de-risking by unwinding their partnership programs.

While the recent wave of consent orders has been concerning, we did not encounter a sense of panic about the BaaS sector at the conference. Rather, most investors, banks and credit unions, and fintech companies agreed that the regulatory actions we have seen serve as guidance for how partnerships should evolve. We did not hear a single participant at the conference state that buying a bank (not including industrial loan companies) or applying for a bank charter are more economical approaches than partnering with a bank to deliver financial services. It appears the overwhelming consensus is that bank-fintech partnerships will remain the preferred model and that BaaS will stay essential to helping both banks and fintech companies find success. Tommy Nicholas, Co-founder and CEO of Alloy, summarized this opinion on stage, stating, "What is going to happen over the next 12 months, is you will see the entire operating model between regulated entities, sponsor banks, program managers, and fintechs shift and harden into the way that we will operate over the next 10 to 20 years."

Winners in BaaS will be those that embrace strict regulatory controls and maintain strong relationships with their partners. This applies to both banks and fintechs. However, banks will need to have direct oversight and visibility over their fintech partners, which should lead to more direct relationships. We have seen BaaS players such as Treasury Prime and Infinant embrace this approach. Banks and fintech

companies should also ensure they enter programs that are scalable and aligned with their long-term incentives (such as expanding into new markets, launching a suite of new products, or providing greater value for their customers). Because banks and fintech companies will both need to ensure they have proper risk controls and can remain compliant with regulations, we may see increased demand for regulation technology (regtech) providers that offer robust know-your-customer and anti-money-laundering solutions.

### *The evolving payments landscape*

Payments continues to be a sector that sees ample opportunities and significant deployment of venture capital (the sector raised $3.0 billion in VC in 2023, excluding Stripe's $6.9 billion deal). While most of the discussions at the conference centered around B2B opportunities, we were pleased to see some investors and companies focusing on consumer payment solutions. Discussions in this sector primarily revolved around instant payments, open banking and account-to-account (A2A) payments, and cross-border transactions.

Real-time transactions continued to be prevalent in discussions given the pain points caused by today's commonly used transfer methods—check and automated clearing house (ACH). The topic has continued to gain traction following the Federal Reserve's (Fed's) launch of its instant payment rail FedNow in July 2023. Since going live, FedNow has seen notable growth in its number of participating financial institutions (35 initially to 564 today) and a slight increase in its participating settlement agents (20 initially to 30 today).[1] The Clearing House's Real-Time Payments (RTP) network, which went live in 2017, has also grown its footing. In Q4 2023, the RTP network saw 74 million transactions (+72% YoY, 14% QoQ) totaling $39 billion (+51% YoY, +15% QoQ).[2] However, real-time transactions continue to represent a tiny fraction of other US payment methods. For context, Nacha reported 31.5 billion payments totaling $80.1 trillion for the ACH in 2023.[3] Banks integrated with FedNow and RTP also confirmed that their real-time transaction volumes represent a small amount of their total payment volumes. Still, most noted that instant transactions were one of their fastest-growing money movement options.

We continue to believe real-time transactions will take a significant amount of time to achieve mainstream adoption in the US. As we wrote in our instant payments analysis, Time for Real Time, the US sees several alternatives to moving money. One of the most popular payment methods includes credit cards, which continue to provide issuing banks with a significant source of interchange revenue. Credit cards are generally also trusted and understood by consumers and businesses, which is why there has been continued interest and innovation in the space (startups such as Deserve and Hypercard, and acquisitions such as Capital One/Discover and Marqeta/Power).

However, banks are clearly paying attention to the growing opportunity in instant payments and A2A transactions. They will certainly not shy away from offering

1: "FedNow Service Participants and Service Providers," The Federal Reserve, n.d., accessed March 11, 2023.
2: "Real-Time Payments for All Financial Institutions," The Clearing House," n.d., accessed March 11, 2023.
3: "ACH Network Records Strong Growth in 2023 as Same Day ACH Surpasses 3 Billion Payments Since Inception, Nacha, February 12, 2024.

such capabilities if customer preferences for instant payments grow at scale. Industry stakeholders have been particularly optimistic about the ability to tap into earned-wage access, instant payout opportunities, and enhanced real-time data visibility. Upcoming regulations for open banking in the US and Europe are further pushing A2A payments into the spotlight, given they will enable greater application programming interface connectivity among banks. Merchants also stand to benefit from pay-by-bank transactions by recognizing lower acceptance fees and better cash flow. In the meeting notes section below, we provide commentary from FinChain and Volt, two startups that have been innovating in the A2A payments space.

Some investors and companies also discussed the opportunity to revolutionize global payments infrastructure through stablecoins and CBDCs. These payment alternatives provide a solution to the pain points experienced in cross-border transactions, which continue to be slow, expensive, and difficult to track. Representatives from the Digital Dollar Project, Blockchain Foundation, and Elvandi (a company set up by the Monetary Authority of Singapore) discussed on stage how stablecoins and CBDCs could address this by providing the ability to freely move money across borders faster and cheaper. These solutions can be applied to both consumers and businesses and are especially applicable to nations that suffer from "inflationary challenge," which causes locals to lose trust in their nation's currencies. A key example mentioned was Haiti, whose central bank has been exploring CBDCs for some time.

Panelists noted the opportunity in this space remains nascent given several countries are exploring their own approaches to driving stablecoin and CBDC adoption (a natural sign we are early in the innovation cycle). 130 countries that represent 98% of global GDP are now exploring CBDCs (up from 35 countries three years ago), according to Jennifer Lassiter, Executive Director at Digital Dollar Project. The US has also begun to increase its efforts in exploring CBDC solutions recently; The Fed issued a CBDC discussion paper last year that is being considered for a potential US CBDC, while The NY Fed launched a dual-phased pilot program known as Project Cedar to examine wholesale applications for cross-border digital transactions. However, interoperability between multiple CBDCs will remain a challenge, as will concerns over privacy and cybersecurity. While stablecoins and CBDCs provide a way to build a new infrastructure, revolutionizing global payments, many countries and their regulators continue to evaluate whether such benefits outweigh the attendant risks.

### *The search continues for AI opportunities*

The fintech industry continues to see a mass exploration of GenAI opportunities. Most operational use cases still appear to be primarily geared toward creating internal efficiencies (chatbots, code completion, reduction of manual tasks). A recent press release from Klarna suggests the company has achieved notable efficiencies in headcount using GenAI; the company claims its GenAI assistant has had 2.3 million conversations equating to the efforts of 700 of its full-time agents. Beyond driving operational excellence, we are now seeing more companies evaluate how to enhance product features and bolster customer-facing services. Some examples of leading fintech companies doing so include MoneyLion, bunq, Public,

and Navan. Looking ahead, we expect to see larger players in the space partner with or acquire startups with demonstrated GenAI capabilities. While big enterprise companies possess ample resources and data to develop powerful models, most will feel threatened by smaller and more nimble startups due to their ability to launch solutions faster.

We believe AI (traditional machine learning, and more, rather than GenAI) will also continue to play a significant role in the lending industry. Lenders have naturally responded to the tougher economic environment by tightening risk requirements, leading to reduced approval rates. Improving underwriting models has thus been an ongoing initiative for most lenders, as it allows them to increase volumes while minimizing default risk.

Underwriting models have made significant advancements from using regression analyses to incorporating tree-based models and neural networks in the past decade. Further, innovators in underwriting are continuing to enhance their models by incorporating alternative datasets such as transaction data or payroll data. GenAI will not play a role in making the end decisions for lending (which appears to be a common misconception about the technology) because it is difficult to explain; however, it will be a useful tool to help with functions such as pre-processing unstructured data or for automated feature engineering.

Given continued advancements in AI technology, we remain optimistic about the opportunities for AI in lending. We spoke with Jamie Twiss, CEO of Beforepay, who noted, “Advances in technology and data science will soon start to separate the winners and losers.” Twiss also stated, “Because AI and alternative data are so much more effective in predicting defaults than other approaches, the first lenders to master these skills will be able to select the best borrowers and offer them great pricing, while leaving the riskier loans to the competition.”

## Meeting notes

Fintech Meetup’s unique agenda sees the majority of its time allocated to meetings and making connections. We met with several investors and companies at the conference, and we share the key insights from our conversations below.

### *Apiture—Daniel Haisley (Head of Innovation)*

Apiture is a leading provider of digital banking solutions for 300+ bank and credit union clients.

- **Why providing personalized services is difficult:** “Community banks and credit unions share similar challenges in using data to deliver personalized service. Their data is locked up in systems by service providers who make it too difficult and/or expensive to access. Those who CAN get the data struggle to derive insights from it as they often do not know the right questions to ask or have the in-house talent to analyze the data. The few who can derive insights often struggle to take action because their customer touchpoints are inflexible. It is a difficult environment for financial institutions to find success.”

- **Why GenAI is not ready for customer-facing use yet:** "Generative AI has taken the world by storm within financial services and well beyond it. It promises revolution for both back-office and customer-facing applications, but the state-of-the-state is that large language model (LLM) services like OpenAI, Gemini, and Claude just make too many mistakes at present for financial institutions to deploy them within services delivered to their customers and members. Instead, we are seeing providers use LLMs to arm customer service agents with fast, unified access to documentation, support the copy development efforts of marketing teams, and help engineers solve coding challenges—the types of use cases with a higher tolerance for mistakes than making financial recommendations to customers, for example. That said, LLMs are going to get there, and quickly. The improvements we have seen in only the last 12 months are astounding. Projecting that forward, we can believe confidently that in 2025 we are going to have meaningful LLM-driven services curating our customer and member experiences."

- **Views on BaaS:** "Regulators have clearly moved off the sidelines and onto the field of play when it comes to BaaS, leveling consent orders on a litany of institutions in the space for faults in their Bank Secrecy Act and anti-money laundering oversight. That said, there is a clear need to distribute banking services through fintechs and other non-bank entities. While many of the financial institutions with established and long-running BaaS programs will continue to grow that line of business, many more will either exit or avoid the BaaS business. We believe there will be a middle ground in the form of embedded banking through which financial institutions can deploy specific functions from their digital banking solutions directly into third-party applications like fintechs, ERP solutions, payroll software, and practice management solutions. With embedded banking, rather than banking-as-a-service, the financial institution retains the brand, the relationship, and (most importantly) the same security and regulatory standards it leverages in its digital banking solutions."

### *App0—Darpan Saini (CEO)*

App0 is the platform for building goal-based enterprise AI agents. The company enables businesses to improve and automate their customer experience using AI. App0's AI agents are highly effective at increasing sales, both pre- and post-purchase, and reducing customer support cost.

- **Differentiation in building AI chatbots:** "We are different because our AI is focused on outcomes. Most companies buy software not for functionality but for the outcomes the software can effect. For example, our sales AI agent helps companies make more money by getting deals done more quickly or by doing more with less. It does not just answer questions; it actively helps move conversations forward, nudging customers toward making decisions. This focus on driving real outcomes is what makes us different."

- **Opportunities in AI agents:** "We believe we are right on the cusp of a huge change in how people interact with technology. More and more, users prefer

chatting with systems and companies rather than clicking around in apps or websites. This means every business is going to need AI agents to talk to customers, partners, and even their own team. In simple terms, AI agents are becoming a must-have, not just a nice-to-have, in the world of business technology. So, when you look at the market potential, it is enormous because it spans every single business out there."

- **Views on state of AI:** "Right now, generative AI is super powerful, but it is not easy for a business to deploy it for real-world customer-facing workflows. We have found that making a demo is one thing, but setting up AI that can handle production scenarios of a complex business is a whole different ball game. Domain adapting the AI and reducing hallucinations are just some of the challenges. This situation is actually great for companies like ours. Most businesses do not have the know-how to do this on their own, so they will need to get help from vendors like us."

### *Atomic—Jordan Wright (CEO & Co-Founder)*

Atomic serves as the essential bridge between consumer data and financial solutions by allowing unparalleled access to payroll, HRIS systems, and merchants, facilitating a range of financial services including direct deposit switching, income and employment verification, recurring payment management, and payment method updating.

- **Differentiating factors in the payroll API sector:** "Authentication security, conversion rate, and payroll partnerships. In the 'user-permissioned' access space, security is the single most important thing to get right. With our patent-pending technology—TrueAuth—we leverage secure third-party authentication, so consumers do not have to share their credentials with us. Conversion rate is the next most important metric, and we lead the space with our TrueAuth technology, which comes with password manager support and a host of other features that allow us to lead the pack. Lastly, Atomic was the first to go live with a direct deposit-switching payroll partnership late last year. These partnerships pave the way for an improved consumer experience in user-permissioned payroll access moving forward."

- **What is underappreciated about payroll API solutions:** "Do people actually remember their usernames and passwords for payroll? We would not have a business with 240+ clients including many of the largest fintechs and traditional financial institution's if they did not. Not saying that all do, but many seem to be just fine at either remembering their password, easily looking for it, using a 2FA method, or going through password recovery."

- **Exciting opportunities:** "Fintech to support small businesses is increasingly exciting to me. There has been a lot of new activity in that area, and it resonates with me. Also, I am very excited about where banking is headed. We are going to see huge leaps in consumer banking experiences within the next five years that many will look back on and say, 'I cannot believe we did not have this experience before!' Subscription management—the experience that Truebill popularized

direct-to-consumer—will begin to be a check the box in consumer banking. AI agents to act on your behalf—informed by good intelligence—will begin to take shape with some of the first use cases coming out later this year."

### *BankShift—Rob Thacher (CEO & Founder)*

BankShift is a digital banking platform created by experienced professionals renowned for their digital transformation and innovation expertise at a top-five financial institution. It also includes a patent-pending acquisition and loyalty system that harnesses financial technology to allow businesses to incorporate their brand within a financial institution. This strategy aims to diversify revenue streams and cultivate empathetic loyalty among their clientele.

- **Helping financial institutions:** "Financial Institutions are starting to fall flat, as they have not embraced a digital-forward transformation to gain better control and visibility over their operations and enhance their competitiveness. At the same time, popular brands are grappling with an imminent crisis as AI disrupts the branding industry, posing a threat to both relevance and sustainability of empathetic brands."

- **Opportunities in digital banking infrastructure/banking as a platform:** "Banking as a platform involves a financial institution incorporating services from fintech companies and providing them to its clientele. It stands in contrast to banking as a service, which sits within a financial institution. This model enables a financial institution to embrace a fintech mindset, speeding up the delivery of products and services that enhance customer engagement and foster loyalty.

- **Solving for fraud:** "Adopting a problem-solving mindset rather than resorting to temporary fixes is always the best approach to combat fraud. For instance, addressing identity theft through facial matching to a government ID is simpler than tackling issues caused by malicious actors. Dealing with bad actors requires the engagement of modern vendors specializing in payments, risk management, and compliance, along with ACH fraud-risk guarantees. Partnering with Sila and Sardine come to mind."

### *Carrington Labs/Beforepay Group—Jamie Twiss (CEO)*

Carrington Labs is an Australian fintech that builds 'credit-decisioning' systems using alternative data and artificial intelligence for banks, non-bank lenders, and platform providers in North America, Europe, and Asia. Beforepay Group is the listed company that owns Carrington Labs as well as its consumer-facing lending brand in Australia.

- **Developing a robust and differentiated decisioning model:** The key to a really powerful decision-making model is combining data science and AI skills with a deep understanding of credit. Simply throwing a big pile of data into an AI model is not going to get a sharp result. You need commercially minded credit people who understand AI to help the data scientists set the model up for success. What kinds of transaction categorization are most effective for credit modeling? How can we create stress-indicator labeling to provide additional training data

where defaults are sparse? What's the appropriate error function for training and testing?"

- **How to tell who is actually making AI work in lending:** "The first step is to ask some questions that a real AI-powered lender or model provider should be able to answer: What algorithms are you using? What error function do you train your models on? How do you build models for products with sparse loss data? Do you incorporate macroeconomic data separately or assume that it is covered in your training data? Can you recommend a customer-specific limit, and if so, how are you calculating default elasticity? Ask about the attributes in the final model. A real AI model still needs to be explainable, so this should be easy to answer. Finally, look at the results. The next generation of lending models should significantly outperform traditional approaches; the proof is always in the results."

- **What performance uplift can be expected in moving from traditional scorecard approaches to next-generation decision-making models:** "Credit scores are good at screening out customers with bad borrowing histories. Once you've removed those riskier customers, however, credit scores become less useful. Alternative data and AI-powered models are much more effective at differentiating among good customers, particularly for customers with thin files or when a strong economy means credit scores overall are high. The new generation of credit models also provides much better tools for optimizing limits, allowing lenders to increase exposure to good customers. This both increases revenue and reduces loss rates."

### *Deserve—Kevin Hollingsworth (Head of Sales, Banking, and Financial Institutions)*

Deserve is a mobile-first credit card management platform. The company's mission is to reimagine the credit card as software and provide a new era of innovation for card programs.

- **Opportunities in credit cards:** "I like the credit-card-as-a-service space. For the first time, banks and credit unions have a real alternative to legacy credit-card-management partners that service their clients with aging technology. These financial institutions do not make much money on their credit card line of business, but they can. Companies like Deserve can help them become issuers and launch great-performing programs without having to do any of the work. Our card programs have better issuer outcomes, and financial institutions can expect a higher return on assets (ROA) and return on equity (ROE)."

- **Standing out in the credit card space:** "We are Apple Card in a box, the full stack, processor and ledger, world-class front-end experience and the operations layer that manages all phases of the credit card lifecycle. We use state-of-the-art capabilities to combat fraud, and our smart ledger unlocks innovation for programs."

- **Thoughts on state of fintech:** "It is beginning to get better. At least it feels better compared to March 2023. I have heard that dozens and dozens of AI startups are coming through Y Combinator and starting up in San Francisco. I think this is a positive development for fintech, too. I expect 2024 to be a steady year versus a turbulent 2023. For many banks and credit unions, the time is approaching when they will want to become issuers; we will see an uptick in activity of banks and credit unions that want to put their balance sheet to work and bring programs in-house."

### *FinChain—Alan Tam (Chief Strategy Officer)*

FinChain, through its FinChainPay offering, provides a patented retail pay-by-bank solution, enabling consumers to make account-to-account payments to merchants at the point of sale. This solution allows retailers to authorize and settle transactions directly with the payer's bank, eliminating intermediaries. As a result, merchant fees and settlement times are significantly reduced, while issuer fees and consumer rewards are still protected.

- **Why investors should be excited about A2A payments:** "A2A payments/peer-to-merchant payments present an alternative retail payment method compared to traditional credit and debit cards. While most payment innovations have focused on the periphery of the decades-old credit and debit card core, A2A payments/peer-to-merchant payments fundamentally alter the payment core itself. This transformation significantly enhances efficiencies in the payment ecosystem, revolutionizing not only credit and debit card payments ($10+ trillion in the US market) but also offering tremendous opportunities in correlated markets such as loyalty and rewards, gift cards ($400+ billion in the US market), and credit card debt markets ($1+ trillion in the US market)."

- **Differentiation in the payments space:** "FinChainPay offers a retail pay-by-bank solution enabling account-to-account transactions utilizing patented point-to-point routing technology without storing value. Leveraging decentralized payment processing among merchants, banks, and credit unions results in greater security, reliability, and scalability. This next-generation payment solution allows merchants to authorize and settle directly with the payer bank in a single step, eliminating intermediaries. As a result, processing fees are significantly reduced, and settlement times are much faster, often occurring in real time. Payer banks maintain their issuance fees, while consumers continue to receive the same or greater rewards. FinChain's solution has been fully tested with banks and major partners, including banking core providers."

- **How A2A payments can grow despite alternative payment methods:** "A2A payments offer a compelling alternative to not only credit and debit cards but also cash, particularly for local retail transactions. Local merchants benefit from lower digital acceptance fees and faster access to funds while enabling them to build stronger relationships with customers through targeted and localized loyalty and promotion programs. Meanwhile, consumers, notably millennials and Gen Z, are quick to embrace innovative payment technologies like mobile payments and QR codes, especially when they offer equal or greater rewards. By facilitating these local transactions, regional banks and credit unions can regain

lost fee revenue and strengthen their role in the local economy. These benefits for merchants, consumers, and banks make A2A payments a promising option for certain payment scenarios."

*Fintech Meetup/Guppy—Sanjib Kalita (Chairman at Fintech Meetup, CEO & Founder at Guppy)*

Fintech Meetup is an annual conference that takes place in Las Vegas, bringing together over 4,100 attendees, 175 speakers, and 350 sponsors. Fintech Meetup uses proprietary technology to connect individuals and organizations from the payments, banking, and financial services community for partnership discussions, vendor presentations, investment pitches, media/analyst interviews, peer group conversations, recruiting introductions, and other meaningful collaborations. Sanjib is also the founder & CEO of Guppy, a startup that offers improved ID verification and fraud/risk management for the credit data industry using blockchain and distributed ledger technology.

- **Thoughts on this year's event and plans for Fintech Meetup:** "It was an amazing event. Looking ahead to next year, using the language of Vegas, we are going to double down because we know we have a good hand! The meetings program was so amazing and truly a sight to behold. I loved seeing people filming the meetings on the side of the floor. It is exciting because you wonder what a few thousand people are talking about at the same time. It is also invigorating because, despite any negative headlines, you realize that there are a lot of very smart people tackling difficult problems. After two years, Fintech Meetup is firmly on people's calendars. This means we will see more people doing more meetings next year. I also anticipate that there will be some interesting partnerships, products, and stories that come from this year's Fintech Meetup, which will mean more energy for speakers and content, as well as the expo floor. We are creating the largest community of fintech builders, and if you follow general trends, these builders will do amazing things."

- **Views on state of fintech:** "There is a tremendous amount of energy and activity in fintech across sectors. The core pain points that drove fintech innovation in the past remain. So, if your solutions can make things better, faster, or cheaper and still maintain trust, there is opportunity in the market. Solutions that increase trust can win big. Examples of this are fraud or security solutions to protect accounts and transactions. Another example is that there is greater energy on things like stablecoins and CBDCs instead of speculative coins. Several great fintech companies were created during the financial crisis or shortly thereafter. This was due in some cases to market pullback by established players like banks, for example, in small business lending. In other cases, it was caused by technological innovations like smartphones, or from inadequately served markets, like cross-border payments. These three conditions still exist, but the macro environment increases the importance of resilient business models.

- **Perspective on fundraising environment:** "The current fundraising environment places a greater premium on capital. In other words, if you're looking for a lot of capital, it is tougher. What are the examples that do not require as much

capital? First is early-stage investing. The checks are smaller, but risk and return are higher there. To mitigate the higher risk, there is a greater focus placed on quality, however you define it. That could be teams, financials, or addressable markets. Second is less capital-intensive industries like analytics or payments. Industries that require higher capital such as lending or distributed infrastructure could have a tougher time."

### *Giggle Finance—Michael Zevallos (Co-Founder)*

Giggle is a pioneering commercial financing provider dedicated to empowering the independent workforce. Through innovative embedded lending solutions, technology, and data analytics, Giggle offers automated lending tailored to gig workers, sole proprietors, and the smallest of small businesses.

- **Opportunities in serving the 1099 workforce:** "When considering lending, two main asset classes typically come to mind: consumer and commercial lending. In consumer lending, institutions such as banks, mortgage providers, and consumer fintechs often prioritize the consistency of a paycheck earned by W-2 workers. Underwriters and models rely on this steady cash flow. The same principle applies in commercial lending, where underwriters and credit models depend on the steady stream of deposits generated by small businesses. As we all know, 1099 independent contractors earn income whenever a job presents itself, making their income more erratic than that of a W-2 worker or small business. This variability poses challenges for underwriters across the board. Additionally, the inability to quickly and effectively underwrite small-dollar loans without incurring significant overhead has contributed to the independent workforce being vastly underserved."

- **Differentiation in lending:** "We have set ourselves apart in two key ways: firstly, by pursuing a market that other lenders were hesitant to enter, and secondly, by embracing open banking, modern technology, and AI. We have fully embraced modern tech solutions to deliver a lightning-quick customer experience without the need for underwriters, salespeople, middlemen, or any human involvement, all while effectively mitigating risk. This strategic approach allows us to scale our efforts to hundreds of thousands of independent workers nationwide."

- **Inputs for a robust decision-making model:** "Credit bureau data can be unreliable, with information often outdated or overestimated due to credit builder products or underestimated due to large lenders such as buy-now-pay-later providers not reporting their payment histories. We have developed hundreds of custom cash flow attributes to power our models. Additionally, we consider a wide range of factors, including communication history, device information, behavioral patterns, and synthetic and first- and third-party fraud signals."

### *Grasshopper—Mike Butler (CEO & President)*

Grasshopper is the client-first digital bank built for the business and innovation economy, providing a best-in-class banking experience for small or medium business (SMB) and startup clients through a suite of digital products.

- **Views on BaaS:** "We believe fintechs will continue to take an increasingly large market share away from traditional banks and that bank-fintech partnerships will remain the preferred model for fintechs, as opposed to applying for a banking charter. Further, BaaS businesses are young and evolving, and adjustments to business models, economics, and even key players should be expected as the industry matures. Successful partnership models will include considerations for the regulatory environment, and I strongly believe that the regulatory world will eventually come to embrace BaaS as it has other changes in the industry over the years."

- **Advice for banks/fintechs working together:** "Firstly, choose your partners wisely and make sure there is a cultural fit. You will spend a lot of time together, and if your businesses are not culturally aligned, it becomes difficult to make partnerships work. You should also make sure both sides have a long-term commitment to the key objectives for the partnership. For example, when fintechs are choosing a bank for a BaaS partnership, they should take the time to identify and ask themselves if BaaS is a key strategy for the bank from the board on down. Finally, make sure it is a 'client-first/real partnership,' meaning that, in the end, the client has to be better served, and both the fintech and the bank have to be enriched. If there is no real client benefit, the fintech cannot survive, and if both sides—bank and fintech—aren't better off, the partnership will not last."

- **Most exciting spaces:** "We remain very excited about the SMB market for both fintechs and banks—SMBs are becoming an even bigger part of the economy, which makes serving this sector more important than ever. These businesses are demanding their financial services be delivered digitally, making a great opportunity for fintechs and tech-forward banks to deliver solutions to a growing market."

### *Heron Finance—Po On Yeung (Head of Community)*

As the first robo-advisor for private credit, Heron Finance invests in loans to SMBs in the US and globally, and then allows accredited investors to participate in those deals. Investors receive steady monthly payments of interest, which they can choose to reinvest on the platform or transfer to another institution. The company automatically allocates and rebalances investor portfolios, depending on their risk preferences. Heron Finance's in-house credit team sources, underwrites, and monitors the risk of all deals to maximize returns and reduce risks.

- **Opportunities in alternative assets and private credit:** "Investors should be excited about the private credit space because it offers the possibility of achieving higher returns than stocks and the consistency of bonds. Private credit has historically provided double-digit annualized returns, beating the S&P

500 over the same period with steady cash flow and more consistent returns. Furthermore, digital innovation has made private credit more accessible to accredited investors, allowing them to diversify their portfolios with limited capital investment and shorter lockup periods. Heron Finance is at the forefront of this boom, offering unique investment opportunities in private credit with a minimum investment of $100 and liquidity in as little as 30 days, making it an attractive option for accredited investors."

- **State of private credit:** "Private credit is non-bank lending that takes place in the private market, traditionally only available to institutions and the ultra-wealthy. The current state of private credit is robust, being called a "Golden Age" for this asset class. This is driven by a boom in demand due to regulatory changes, economic conditions, and technological advancements. Heron Finance's launch as the first SEC-registered robo-advisor for private credit deals is timely, capitalizing on these industry tailwinds and growing awareness for this asset class—Tony Robbins is even doing a book tour on the Holy Grail of Investing, featuring alternative assets and private credit."

- **Views on crypto and blockchain industry:** "Crypto UX has been one of the biggest hurdles to mainstream adoption. New technologies and partnerships that make it easier for people to use blockchain and get the benefits of transparency and efficiency, without high gas fees and the concern of losing seed-phrase passwords, are where the future is headed. Heron Finance is pleased to work with innovators like TurnKey, Zerodev, and Base—Coinbase's L2 network—for the latest in secure wallet infrastructure, removal of seed phrases, and improved scalability. Heron Finance is built on cutting-edge blockchain technology that enables reduced costs, deal transparency, and the portability and interoperability of your investments.

### *Information Venture Partners—Dave Unsworth (General Partner & Co-Founder)*

Information Venture Partners is a Toronto-based team of experienced venture capital investors focused on backing the next generation of leaders in B2B fintech and enterprise SaaS. Current investments include Arteria AI, BigID, Cinchy, Coconut Software, Empyrean Solutions, Flybits, FX HedgePool, Helcim, Influitive, Jirav, LendingFront, Lydia AI, Nue.io, Procurify, Q4, Strike Graph, ThoughtExchange, and Wisedocs.

- **Predictions for fintech this year:** "We will see a number of large enterprises acquiring AI solutions to be integrated with their existing products/services or to be sold alongside them. It takes a lot of time, effort, and capital to develop true AI solutions, and large enterprises that are threatened by AI-first products may struggle to develop tools internally at a reasonable pace. We think insurtech will be a hotbed of M&A activity as broader insurance industry-focused technology suites acquire point solutions to bolster their own functionality and drive retention. The reduced friction of mobile payments will continue to drive this category forward as a default payment option. Dominant incumbent players in mobile payments—Visa, Mastercard, and Apple Pay—will continue

to consolidate innovative smaller payments companies into their respective platforms to drive additional value."

- **Views on fintech M&A for 2024-2025:** "Given the current economic environment, geopolitical tensions, and the uncertainty leading up to the 2024 US election, M&A will remain sluggish and a buyers' market. With a constrained VC market, more companies will be seeking liquidity, putting the power in the hands of the acquirer. With the economic contraction, multiples in the payments market contracted severely at the beginning of 2023, but we started to see gains in Q4 of 2023, and we expect that trend to continue into 2024. Multiple expansions may support larger exits."

- **Differentiating players in regtech, cybersecurity, and risk management:** "We look at this space in terms of revolutionary vs. evolutionary products and services. Evolutionary refers to companies finding efficiencies in more mature markets such as compliance automation, data management, and managed detection and response. Revolutionary refers to companies tackling new challenges in emerging spaces such as LLM security, post-quantum safe encryption, among others. Both of these categories present massive opportunities given the size of the markets surrounding security & compliance in financial services. Within cybersecurity & risk management, by virtue of what the industry is, defense, there must always be opportunities to invest in high-growth startups. New forms of cyberattacks are constantly emerging. We are seeing incumbents and startups alike developing a variety of unique products as ways to secure against this threat. Within regtech and compliance, our view is that there will be more, not less, regulation around data privacy and technologies in financial services but also broadly across all industries. As these regulations compound and become challenging to navigate, reliance on technology must increase if organizations want to remain efficient. Look at global governments trying to regulate and create protections around AI, whether in data privacy or ensuring models aren't trained with biases. This is already getting complicated to navigate, and the regulations haven't even passed."

### *Manifest—Anuraag Tripathi (CEO and Co-Founder)*

Manifest is a company that provides an easier solution to move 401(k)s. The team is building one of the first plan-to-plan rollover solutions. After launching as a voluntary benefit for employers, they are on track to transfer $4.0 billion of assets through providers this year.

- **Opportunities in 401(k) transfers:** "Today, 89% of people who start a rollover do not finish the process. These rollovers take an average of seven hours of effort over 60 days. Instead, people cash out their accounts or leave them behind. The average American has about 2.8 old accounts lying around from previous jobs. Manifest helps users hunt down old accounts, choose a destination, run checks, and track transfers with less than 10 minutes of effort over 14 days. Employers are positioned to foster smarter financial decisions for their employees—especially when saving for retirement. Historically, the only ways to increase savings in a plan were to increase contributions, employer match, or choose

better-performing funds. By helping employees hunt down the average of 2.8 old accounts, Manifest is able to grow 401(k) assets by $13,450 plan-wide in 12 months.

- **Views on retirement market:** "Defined contribution plans have been growing at 15% YoY. They are often the first access the average American has to an investment account and the second largest source of wealth (after a primary house). As small businesses and state-run plans keep growing, more people rely on 401(k)s. Manifest contributes to this trend by keeping savings invested and growing through job changes. Equally important, our research partner—Washington University in St. Louis— found that consolidating retirement accounts is not zero-sum and can lead to an additional 36% growth within 10 years due to easier investment management, lower fees, and fewer risks."

### *Montage Ventures—Nia Patel (Vice President)*

Montage Ventures is an early-stage VC firm investing at pre-seed through Series A, focusing on fintech, healthcare, and commerce enablement. We are a team of prior founders and operators with deep experience across these three sectors. Our core value proposition is building alongside our founders and being active investors.

- **Thoughts on state of fintech:** "I am bullish on fintech. I think a lot of the uncertainty stems from companies who raised on higher valuations than they should have and are now facing this misalignment on pricing. However, I do not think that is indicative of the entire sector, and we are seeing some impactful rounds get done. Of course, with the current rate environment, we are seeing the focus shift away from more balance-sheet-intensive business models because they are negatively impacted by the rising cost of capital, and unit economics are becoming more challenging. But I remain excited about the opportunity for those taking a more tech-forward approach and building a product offering with true IP. I think there is huge potential for those focused on building out infrastructure layers to ultimately be a connective tissue in the ecosystem."

- **Exciting spaces:** "I am excited about the innovation that will stem at the intersection of fintech and other categories. We are at this interesting inflection point where these other industries such as healthcare have this mandate to embed more financial services. There will be some very compelling companies as the care model evolves over the next 10 years. I am spending time on the generational transfer of wealth and health. There will be some interesting opportunities as the next layer of infrastructure is built out to support the movement of money. Looking at this through the lens of GenAI in asset management and financial advisory tools, tax and estate planning infrastructure, cross-border money movement, and fraud & compliance has been very interesting.

- **Views on GenAI:** "There is such a broad range of applications from personalization of financial services to risk assessment and fraud detection. One of the areas I am most excited about is asset management. I believe that asset allocation is undergoing a transformative phase, and GenAI will play a pivotal role in shaping its future. There is incredible advancement in LLMs, and while we

are still early in enterprise adoption, I think asset allocation is one of the most promising use cases. Axyon AI is a great example of a company in this space. One area of caution would be those building a ChatGPT wraparound. I think the real value will accrue where companies have core AI infrastructure and a true IP moat to create a differentiated product offering."

### *Navan—Michael Sindicich (CEO)*

Navan is the all-in-one solution that makes travel and expense easy so you can focus on being there, not getting there. The company helps its customers say goodbye to spending hours on the phone trying to change their flight or saving stacks of receipts to manually input expenses. From executive assistants and finance teams to travel managers and employees, Navan empowers people to concentrate on the things that matter most to them—all while providing companies with real-time visibility, savings, and control.

- **Views on state of fintech:** "I am actually quite bullish that fintech will work itself out — especially the businesses focused on the right things: good metrics, margins, profitability, and diversified revenue sources while scaling at the speed startup and growth companies need to maintain. Now, that is not to say that fintechs, and tech companies overall, aren't facing an increasingly challenging environment—they are. Many fintech startups that raised money in 2021 or 2022 will face difficulties growing into the higher multiples of 2021 before they become strapped for cash and need to raise more money at a lower valuation. The fintechs that survive this period will be those who adapt, either by making hard decisions about the incentives they offer customers, expanding their product portfolio, or just growing faster and generating more revenues more profitably."

- **Thoughts on investing in expense management:** "I do not think investors should be looking to invest in new expense management or spend management companies right now. There are a few players like Navan who are winning in the space with scale and attacking legacy incumbents like Concur with proven market fit and a lot of momentum. If you are asking about whether there is an opportunity to invest in more established and late-stage expense management companies like Navan, I believe there is a lot of upside. The best expense management companies will have great margins, show at least a near-term path toward profitability, and will be growing their revenues at scale at percentages similar to the best tech companies out there. Also, Concur is the behemoth in the space and ripe for displacement. However, I do think we will see some consolidation in the market this year."

- **Views on GenAI:** "Tech innovations like generative AI are enabling a more seamless and personalized experience for business and leisure travelers. As with many other industries, GenAI has breathed new life into the travel world, finally putting the longtime goal of hyper-personalization within reach. Navan's automated virtual assistant, Ava, anticipates users' needs based on known traveler patterns and proactively completes tasks. Looking ahead, investors should be excited to see how the concept of proactive AI will remake the traditional traveler journey, in which one visits 20-plus sites. While companies are racing to integrate GenAI, few are actually identifying the unique data that

they have and then finding ways to make it accessible to users. For example, we know the traveler's profiles and preferences, and we also know everything about the hotels offered through Navan. Therefore, we can make all this information available to Ava, and then to the users through conversations."

### *Penny Inc.—Tony Ferguson (CEO & Co-Founder)*

Penny Inc. is a spend management and payment processing platform specifically tailored to handle the high-volume-transaction processing of the adtech space. Penny provides unlimited Virtual Credit Cards, secure and dynamic BIN allocation, and real-time transaction funding to solve data chaos with ultimate spend visibility.

- **Thoughts on saturation in expense management:** "Saturated? No. Crowded? Absolutely. Saturation implies all potential consumers of a solution are aware of the array of competitors that are competing on price for a commoditized service offering. We are nowhere near that. In card processing, businesses accept they will lose roughly 2.6% of their revenue off the top in merchant service charges. But on the other side, few businesses realize they have an opportunity to collect a material rebate on their spend. We are talking about a radical transformation that opens up new revenue channels—shifting finance operations in a B2B service provider like AdTech or media buying from a cost center to a profit center. And we are still educating the market about this possibility. We are seeing strong customer and revenue growth, and the majority of our customers are merely modernizing their businesses, not abandoning a competitor. We are set up for mass payments, high volume, and scalability so we can grow and evolve with the needs of our customers and the industry."

- **Building a competitive advantage:** "Too many fintechs are fighting for space horizontally, competing with established banks and fintechs like Stripe or Square to handle a small facet of financial services for any business customer. We are focused vertically. Our customers know their businesses, not the payments world, so we are working hard to meet them where they are and plan to expand to new verticals after winning in each target vertical. Adtech, martech, dropshippers, and affiliate network facilitators have a challenge—paying and reconciling hundreds of thousands of micropayments to an increasing number of payees every month. We are laser-focused on these customers, bringing order to their data chaos to help them manage their spend proactively and grow their business thoughtfully."

- **Generative AI applications:** "We currently use GenAI for fraud monitoring. The impact of GenAI on businesses is driving massive changes in how data is managed in the interest of visibility. Using hazy or incomplete data to guide strategic choices—and having financial data lag other operational data—is quickly becoming unacceptable."

### *Remynt—Gwyneth Borden (CEO & Founder)*

Remynt is a debt and credit recovery company that enables creditors to recover revenue from non-performing delinquencies while enabling consumers to rebuild their credit by repaying debt through a credit reaffirmation product. By acquiring delinquent/charged-off consumer debt, Remynt allows consumers to regain credit, create savings, access financial management tools, be part of a stimulating community, and earn rewards for repayment.

- **Opportunities in credit building from charged-off debts:** "Debt collection has been around since the beginning of time. 6,000 plus companies do it in the United States, not to mention a large market of debt buyers. While debt collectors have great gross profit margins, their net is less due to the labor-intensive, often commissioned-based collections approach. All the real money is in being a debt buyer; these companies typically contract with law firms and collection agencies. If you do not own the debt, it is a volume game, because you have to collect on a lot of debt to get venture-type returns since you only get a small portion of the value chain. Debt collectors pursue consumers aggressively, sometimes suing, and adding a bad tradeline, to get some portion of payment and then move on to the next customer. This adversarial relationship does not lead to lifetime customer value.

- **Building a competitive advantage in the credit building space:** "What makes Remynt unique is that not only are we into debt buying and collecting, but we are also creating lifetime customer value in an industry that is about churn. Our goal is to become the creditor to these consumers, by offering a credit reaffirmation program that enables rebuilding credit while repaying charged-off debt, which a debt collection tradeline doesn't do, and providing new credit upon full debt repayment, which is hard to do when a recent charge-off is on your credit report. We seek to help these consumers rebuild and grow with us over time, starting with their post-payment charge card and offering additional products and services over time. We believe this approach will support far lower delinquencies than the status quo. Non-payment is typically a financial issue, not a fraud or bad actor one."

- **Perspective on fundraising environment:** "Fundraising has been particularly challenging in consumer fintech. After the deep freeze of 2023, the climate is far better in 2024. Some big consumer fintechs have shown gains, companies like Dave and Affirm, which I think helps. There is also a lot of dry powder, which VCs seem to be gearing up to deploy."

### *Rollfi—Kirubha Perumalsamy—(CEO & Founder)*

Rollfi is an embedded payroll and benefits platform. Banks, fintechs, vertical SaaS, and financial services can launch payroll services on top of our infrastructure to effortlessly unlock revenue and increase the stickiness of their customer base.

- **Views on the payroll industry:** "The legacy payroll providers have some of the lowest NPS scores out there as a category. There is a real opportunity for new players to win by emphasizing customer service and innovating on new

delivery models like the embedded route we are taking at Rollfi. By partnering with companies customers already love, we can leverage their existing stellar customer service organizations to provide a great experience while consolidating the number of vendors a company has to deal with to run their business."

- **Views and advice on BaaS/partnerships:** "Fintechs should figure out the fastest way to strike up a direct relationship with a sponsor bank. When working with a BaaS layer, you are leaving your destiny up to a middleman in terms of compliance. If any other fintech with the BaaS vendor is a bad actor, and they do not catch it quickly, there is a real risk of you also becoming affected. From a product perspective, fostering a direct relationship with the stakeholders that control your key infrastructure allows you to be much more creative in how you can develop and deploy your product offerings without having to play a game of telephone for every decision. From our personal experience and scar tissue, you cannot expect a third-party vendor to represent your story and take care of compliance as well as you would yourself."

### *SimpleClosure—Dori Yona (CEO & Co-Founder)*

SimpleClosure is a California-based, venture-backed company that simplifies the complex task of shutting down a business. It handles all closure-related tasks, including state paperwork, board resolutions, and investor distributions, automating the process and making dissolving a business as smooth as possible.

- **Pain points in shutting down a business and solutions in the space:** "I think this is largely due to an opaque process that changes meaningfully by state and by industry. Each vendor, each service provider, and each state and government entity has its own process for shutting a company down. Even within the same state, different departments do not communicate with each other. Also, shutting down a company is somewhat taboo even though between 700,000 and 1 million businesses fail in the US each year. It is the right time to reimagine the entire closure process, which historically has been manual and cumbersome. SimpleClosure is building a novel, innovative, and automated platform that is focused on an underserved part of the market: the 1 million businesses in the US shut down every year. Entrepreneurs and founders go through a lot of pain and stress during the process, and I think investors are seeing how much unrealized opportunity there is in fixing the process and its inefficiencies."

- **Expectations for startup failures:** "There is definitely an uptick in startup closures, which many expect to accelerate toward the latter half of the year. That said, I think the premise is a bit misleading: The statistics show that 700,000 to 1 million startups shut down in the US each year. That is data from the last decade, not at a time of recession. Right now, the shutdowns are drawing more awareness due to the slowdown in fundings, but companies shut down in every economy—it is just a part of entrepreneurship that has not been talked about openly until now. The odds show that for every startup that raises, nine shut down."

- **Applications of GenAI:** "We are leveraging and building AI technology to help automate manual, tedious processes. For example, data extraction and summarization of legal documents related to company dissolution. We leverage fintech, legal tech, and AI to automate the shutdown process in three stages: onboarding, dissolution and wind-Up, and shutdown."

### *Stratyfy—Deniz Johnson (COO)*

Stratyfy optimizes how financial institutions make decisions, unlocking data-driven growth without added risks or the need for in-house data experts. With the company's interpretable AI solutions, financial institutions are making more accurate, efficient, and fair financial decisions in credit risk, fraud, and compliance.

- **Creating a competitive advantage in AI & ML:** "At Stratyfy, our AI & ML solutions are inherently interpretable—meaning from start to finish users can see and understand what factors are impacting the results of their decisions. Empowering users with this approach enables quicker implementation of strategies, as they can change, add, or remove necessary information. Our goal is to level out the playing field for smaller institutions to make the most of the data they have without increasing risks and/or operational costs."

- **Difference in interpretable versus explainable models:** "Explainability in the context of AI & ML only provides users with a limited view of what the machine is doing, after the fact. This approach prevents users from responding and making changes rapidly as it would require them to have some knowledge and understanding of how the technology works. When leveraging interpretable solutions, the user can read and understand in plain English how the decisions are made as they are made. This enables quick response to compliance concerns, market shifts, and launching new strategies and products. They get the best of AI & ML without the concerns around AI."

- **Views on investing in credit and lending opportunities:** "Many predict that this year we will resume to some normalcy of credit environment that we haven't seen due to rate hikes. Separately, investors should be aware of the value and opportunities AI is introducing to this sector. The financial institutions understand that to be competitive, they need to adopt AI & ML solutions on a larger scale safely. In the credit and lending space, AI is enabling greater understanding of customer's needs and liabilities, ensuring lenders are making the best decisions across the board."

### *Torpago—James Yacobucci (Head of Bank Partnerships)*

Torpago delivers white-labeled business credit card programs and expense management software to financial institutions. Built on a modern technology stack featuring native APIs and microservices, Torpago enables banks and credit unions to easily deploy market-leading credit card and expense products to their business customers. Financial institutions use Torpago's platform to generate new income streams, grow deposits, and improve operating efficiency.

- **Creating a competitive advantage:** "Our technology and distribution strategies are what set us apart from legacy and modern players in our space. Overall, our goal is to help regional and community banks deepen existing customer relationships and attract new business. We do this by equipping banks with a white-labeled (bank-branded) commercial card and expense management system that helps our bank clients win when competing with fintech and national bank commercial payments solutions. Businesses choose modern fintech brands like Brex, Ramp, and Divvy (now Bill) because of the software experience, which reduces labor hours. On the other hand, businesses choose large banks like Amex, Chase, and Capital One because of the strength of their rewards offerings. With Torpago, banks can pair a fintech-grade product experience (product velocity, customization, and data visibility) with a bank balance sheet and its associated cross-selling opportunities. This is a compelling value proposition to the bank's existing or prospective clients, which helps banks accelerate fee income and attract additional deposits."

- **Views on BaaS and fintech partnerships:** "Fintechs have done a great job developing products that meet the needs of the modern consumer or business, but a different approach to partnering with traditional financial institutions will serve the next cohort of disruptors well. Following the Durbin Amendment in 2010, hundreds of billions of dollars have been invested into US fintechs. While exceptions exist, the most notable fintechs have taken market share from banks and credit unions. After a decade of fintech and embedded finance tailwinds, however, an overwhelming majority of primary cards, accounts, and payment volumes still sit with traditional financial institution (FI) brands. This tells us the average bank and credit union customer would prefer to do more with their existing FI provided the product is at or near parity with alternative fintech options. Today, incumbent FIs understand their shortcomings versus their modern counterparts and are ready to supply modern tools to their existing and future customers. In this context, it is time fintech companies see themselves as vendors who build for, not against, traditional FIs."

### *Volt—(Stuart Barclay, SVP Growth)*

Volt is a leading player in real-time payments. The company's next-generation payment network unites new instant schemes to a harmonized standard that is global, instant, and interoperable. Volt's product suite goes beyond connectivity and payment initiation by addressing practical business needs from cash management to fraud prevention and is relied on by enterprise merchants around the world.

- **Views on open banking and A2A payments:** "Countries are at different stages of adoption but there is no doubt that real-time account-to-account payments are a global phenomenon—with 80+ countries around the world implementing, or having implemented, their own networks. We are seeing a paradigm shift away from cards—technology envisioned in the 1950s—to allow money to move in real time. This shift is encouraged by governments that are increasingly keen to exert control over their payment networks, which they see as critical infrastructure. The popularity of PIX in Brazil shows this shift. Having launched in 2020, PIX already commands 30% of the e-commerce market. With the value of account-

to-account payments in e-commerce set to reach $757.0 billion in 2026, the opportunity is hugely exciting."

- **Learnings that can be applied from Europe to US:** "Collaboration and aligned incentives between TPPs and banks are key to unlocking the transformative benefits of open banking. Both the UK and Europe took a different approach from the US to deliver open banking that was primarily regulatory-led, which, as you would expect, has led to a more mature open banking market than the US, with billions of dollars worth of transactions processed each month and adoption continuously rising. However, the next wave of innovation, such as variable recurring payments, is being delivered by moving beyond a regulatory exercise and bringing banks into the party so they are able to increasingly commercialize the open banking opportunity. Aligning commercial incentives and creating an innovative open banking ecosystem will be key for open banking to truly take off in the US to deliver value to merchants, banks, and consumers alike."

## Select Fintech Meetup startups

| Company | Year founded | Estimated employee count | Last known valuaton ($M) | Last fundraising ($M) | Last fundraising date | IPO probability | M&A probability | No exit probability |
|---|---|---|---|---|---|---|---|---|
| Apiture | 2017 | 360 | N/A | $10.0 | November 14, 2023 | N/A | N/A | N/A |
| App0 | 2022 | 13 | $13.9 | $3.9 | July 28, 2023 | N/A | N/A | N/A |
| Atomic | 2019 | 92 | $205.0 | $40.0 | May 17, 2023 | 13% | 77% | 10% |
| BankShift | 2020 | 5 | N/A | N/A | N/A | N/A | N/A | N/A |
| Deserve | 2013 | 206 | $500.0 | $150.9 | N/A | 18% | 78% | 4% |
| FinChain | 2023 | 74 | N/A | N/A | December 1, 2022 | N/A | N/A | N/A |
| Giggle Finance | 2020 | 9 | N/A | N/A | N/A | N/A | N/A | N/A |
| Manifest | 2018 | 13 | N/A | $0.1 | September 13, 2022 | 1% | 42% | 57% |
| Navan | 2015 | 2,244 | $9,200.0 | $100.0 | December 8, 2022 | 85% | 13% | 2% |
| Remynt | 2022 | 7 | N/A | $1.2 | February 29, 2024 | N/A | N/A | N/A |
| Rollfi | 2021 | 10 | N/A | N/A | February 1, 2022 | N/A | N/A | N/A |
| SimpleClosure | 2023 | 10 | $5.0 | $4.0 | February 27, 2024 | 1% | 78% | 21% |
| Stratyfy | 2017 | 23 | $28.5 | $10.2 | March 21, 2023 | 1% | 85% | 14% |
| Torpago | 2019 | 33 | $10.5 | $6.0 | March 8, 2023 | 2% | 89% | 9% |
| Volt | 2019 | 224 | $358.0 | $59.7 | June 21, 2023 | 9% | 60% | 31% |

Source: PitchBook • Geography: Global • *As of March 8, 2024

*Note: Probability data is based on* *PitchBook VC Exit Predictor methodology*.

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