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EMERGING TECH RESEARCH

Financial Fusion: Fintech's M&A Landscape Unveiled

A guide to fintech M&A and the next wave of deals

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

- **Heavy investment has led to both winners and overcrowding:** Today's fintech M&A landscape is informed by six years of heavy fintech investment through 2022. Fintech startups were an early darling and beneficiary of ZIRP-era capital flows. As a result, many fintech spaces appear crowded to us, including KYC/AML, fraud detection/prevention, expense management, and underwriting as a service. A number of these companies will have to add new products, merge, get acquired, or close shop.

- **Fintech M&A activity declining YoY:** 2023 saw $28.3 billion in US/Canadian fintech M&A value, a 45.8% decrease from $52.2 billion in 2022 and a 36.5% decrease from $44.5 billion in 2021. 145 total fintech acquisitions were seen in 2023, representing a 15.7% decline from 2022's 172 deals and a 48.9% decline from 2021's 284 deals.

- **Acquisitions favoring enterprise fintech:** Enterprise fintech companies have been the primary targets of acquirers in fintech. In 2023, 90.7% of fintech M&A value ($25.7 billion) and 75.2% of fintech M&A count (109 deals) came from enterprise fintech acquisitions. From 2020 to 2023, the segments that saw the highest M&A value were financial services infrastructure ($31.7 billion), CFO stack ($29.2 billion), and payments ($27.9 billion).

- **Future deal activity likely to favor some sectors:** We expect additional strategic acquisitions to occur in the CFO stack, payments, financial services infrastructure, and wealthtech segments. Recent deals in these spaces have been completed to expand product offerings, break into new geographic markets, and capture new opportunities in generative AI.

Methodology: *The data provided in this fintech M&A note looks at US and Canadian public and private fintech M&A from 2020 to 2023. M&A deals included during this period are based on announcement date rather than close date. We exclude companies that primarily operate in digital assets, insurance technology, and property technology. Definitions of our fintech segments can be found in the appendix at the end of this note.*

- **European regulatory challenges persisting, though US pressure could abate depending on the presidential election:** Outsized deals may be viewed with caution due to regulatory challenges and antitrust concerns, further deterring large acquisitions. Regulatory complexities have slowed completion of deals such as ICE's acquisition of Black Knight and resulted in the blocking of attempted deals such as Visa's acquisition of Plaid, Meta's acquisition of GIPHY, Adobe's acquisition of Figma, and Amazon's acquisition of iRobot.

- **Valuation expectations between buyers and sellers slowly converging, but not fully there yet:** Valuation expectations are still preventing deals from getting done, but 2024 will provide another year for sellers to accept that 2021 was an outlier year fueled by federal and central bank stimulus. Acceptance happens slowly, though, and it could take several more years for valuation expectations to converge. There will still be a fair amount of waiting for better valuations, because most VCs are notoriously hands-off and founders are tenacious. However, dwindling cash balances will force many companies to sell, merge, or close.

- **Fintech failures to continue for another three years:** We believe we are in the fifth inning of fintech's failure wave. Insider rounds buoyed many fintech companies in 2022 and 2023, but this earmarked capital is dwindling. Today's valuations and capital scarcity are making it harder for fintech companies to get funded if their revenue base and revenue growth have not materialized. Among these firms, declining cash will drive a number of acquisitions and shutdowns.

- **Expect verticalization and lots of small-stock deals where startups buy each other:** Strong fintech companies that have reached cash flow neutral, or that can raise fresh capital, are now well positioned to make acquisitions. Many startups are running out of cash, which will lay the groundwork for a slow but steady startup-to-startup M&A wave. These smaller acquisitions happen for the following reasons: to acquire key talent/knowledge, to bring on new products/technology for cross-selling, to obtain new customers to whom to reverse-cross-sell, and to access new geographies. The biggest opportunity may be adding a new product and then cross-selling it to the acquirer's existing customers. Ultimately, we expect skillful acquirers to create profitable firms that endure and can eventually be acquired themselves. Winners will be those that are patient and selective in the companies they acquire (it is better to wait for technological and cultural compatibility and the right team) and that have a track record of successfully integrating acquisitions. Companies such as Array come to mind.

- **M&A by big financial services incumbents driven by certainty and optimism, which are still subdued, though green shoots are emerging:** We believe that corporate acquisitions are driven partly by confidence in the future and a lack of uncertainty. The thought of making an expensive acquisition ahead of a recession is nauseating for some executives. This is one reason corporate M&A was so low in 2022 and 2023. Until recently, the economic consensus called for a recession, which held back corporate M&A. And decelerating corporate revenue (and the need to focus on expenses and only essential initiatives) gave corporate leaders another reason to abstain. Optically, it is hard to make acquisitions and layoffs at the same time. However, the economy is now doing well. A true economic soft landing would begin to shift the psyches of the C-suite from austerity to M&A. A few years of this would increase the "fear of missing out" that often accelerates acquisitions. Frequent acquirers will continue acquiring, including Capital One, J.P. Morgan, Visa, Mastercard, Fifth Third Bank, KeyBank, Fiserv, and FIS.

- **Industrial-grade fintech companies to further bulk up via acquisition:** The strong will get stronger: Over the next three years, we expect industrial-grade fintech companies (those with multiple products, strong revenue growth, a sightline to profitability, and handsome cash balances) to use M&A to selectively acquire new companies and cross-sell those products to their existing bases. Buyers of fintech services often prefer to procure multiple products from a single provider because it saves them time and money. A select group of platform fintech companies still have cash from their recent raises. These platform companies, with minimal burn and no need to cut headcount, are the best candidates to execute a sustained M&A strategy. We expect acquisitions from platforms such as Deel, Gusto, Plaid, Ramp, Rippling, MX, Navan, and more. We further anticipate them to target Series A fintech companies whose revenue growth does not merit a reasonably valued Series B. However, late-stage platforms will abstain from going on an all-out buying spree because integrating a new company costs valuable time and attention, which can halt progress on their core product(s). Platform acquirers will not splurge. They will be discerning on acquisition price (likely below $300 million) given their real but finite cash balances as well as an array of acquisition opportunities. We believe we can expect continued acquisitions from SoFi, Robinhood, Stripe, and Plaid.

- **Declining rates and an opening IPO market to increase LBOs:** If inflation remains at or below 3%, we expect fintech LBOs to accelerate in the back half of 2024 as the Federal Reserve begins to reduce short-term rates. We think the federal funds rate will likely settle between 2.5% and 3.5%, assuming steady-state inflation of 2% to 3%. The pandemic-induced supply chain inflation is largely a thing of the past, though the global supply chain continues to realign around political alliances. And uncertainties linger in the form of potential oil shocks, Chinese deflation, and conflict near trade routes. An opening IPO window and M&A environment would further accelerate LBOs because exit events free up capital that can be reinvested. Whether the Federal Reserve lowers the current 5.25%-5.5% terminal fed funds rate to 2% versus 4% is up for debate and will have some influence on LBO calculus—200 basis points makes a difference.

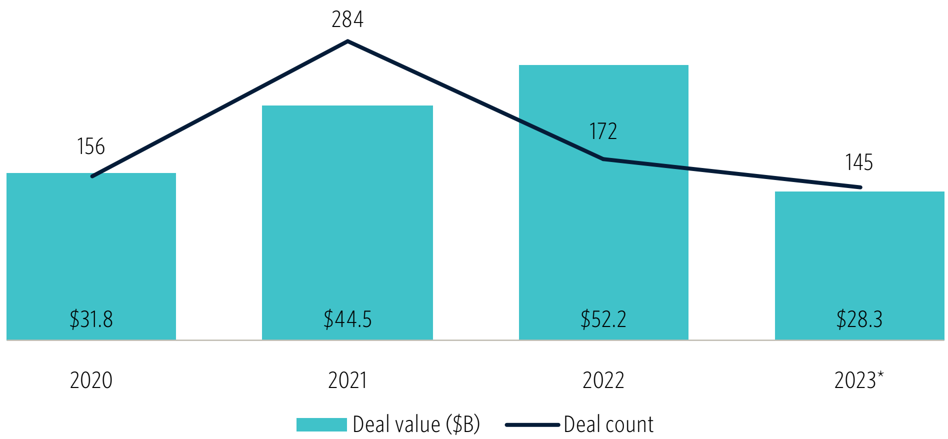
- **Startups can heed best practices for being acquired:** Bankers and M&A attorneys shared best practices for how top companies can prepare to be acquired. First, revenue and customer tracking/reporting are critical for helping suitors develop confidence in the target. Second, developing a cohesive story that focuses on a startup's strengths helps acquirers better evaluate a deal. Third, acquisitive founders value strong and stable customer relationships, enduring culture (which matters postacquisition), and technological compatibility with the target. Fourth, the process should begin early to achieve the best outcome and avoid approaching a low-cash position. Last, a lawsuit, data breach, or other conflict that gets surfaced late in a deal can put the transaction at risk—communicating these early is a best practice.

Fintech M&A overview

US and Canadian fintech M&A activity saw a quieter year in 2023 after retreating from record levels in 2021 and 2022. We recorded $28.3 billion in reported deal value for 2023, marking a 45.8% decrease from $52.2 billion in 2022 and a 36.5% decrease from $44.5 billion in 2021. M&A count told a similar story for the year. A total of 145 acquisitions were seen in 2023, representing a 15.7% decline from 2022's 172 deals and a 48.9% decline from 2021's 284 deals. Notably, both fintech M&A value and count in 2023 were at their lowest levels in over three years.

We attribute this decline in M&A activity to increased interest rates, lower availability of capital, shifted focus from growth to profitability, and heightened geopolitical tensions. These factors have led to increased market volatility and more conservative capital-deployment approaches, resulting in softer fintech M&A activity in 2023 than in recent years. The decline in acquisitions is also reflective of broader fintech market trends. In 2023, fintech companies raised $34.6 billion in venture capital across 2,055 deals, down 43.8% and 32.4% from 2022's $61.4 billion and 3,039 deals, respectively.

Fintech M&A activity



Source: PitchBook • Geography: US and Canada • *As of December 31, 2023

Top fintech M&A and buyouts by deal value from 2020 to 2023*

Company	Close date	Deal value ($M)	Deal type	Investor(s)/acquirer(s)	Segment
Black Knight	September 5, 2023	$11,700.0	M&A	ICE	Financial services infrastructure
Adenza	November 1, 2023	$10,500.0	M&A	Nasdaq	Capital markets
Avalara	October 18, 2022	$8,400.0	Buyout/LBO	Ares Capital Corporation BDC, Vista Equity Partners	CFO stack
Coupa	February 27, 2023	$8,000.0	Buyout/LBO	Abu Dhabi Investment Authority, CapitalG, General Atlantic, Thoma Bravo	CFO stack
Credit Karma	December 3, 2020	$7,100.0	M&A	Intuit	Wealthtech
EngageSmart	January 26, 2024	$4,000.0	Buyout/LBO	Vista Equity Partners	Financial services infrastructure
EVO Payments	March 24, 2023	$4,000.0	M&A	Global Payments	Payments
Adenza	July 22, 2021	$3,750.0	Buyout/LBO	Thoma Bravo	Capital markets
Verafin	February 11, 2021	$2,750.0	M&A	Nasdaq	Regulation technology (regtech)
Bottomline Technologies	May 13, 2022	$2,600.0	Buyout/LBO	Thoma Bravo	Financial services infrastructure

Source: PitchBook • Geography: US and Canada • *As of December 31, 2023

Top acquirers in fintech companies from 2020 to 2023*

Investor	Deal count	Investor type	Investor HQ
TA Associates Management	10	PE/buyout	Boston, Massachusetts
Genstar Capital	10	PE/buyout	San Francisco, California
Francisco Partners	8	PE/buyout	San Francisco, California
Clearlake Capital Group	7	PE/buyout	Santa Monica, California
Accel-KKR	7	PE/buyout	Menlo Park, California
Parthenon Capital Partners	7	PE/buyout	Boston, Massachusetts
Thoma Bravo	7	PE/buyout	Chicago, Illinois
Fiserv	7	Corporation	Brookfield, Wisconsin
Motive Partners	6	PE/buyout	New York, New York
Blackstone	6	PE/buyout	New York, New York

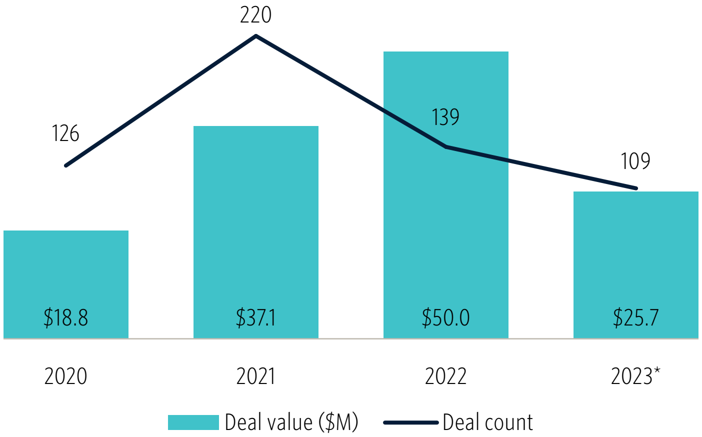
Source: PitchBook • Geography: US and Canada • *As of December 31, 2023

Breakdown of M&A activity

B2B and B2C trends

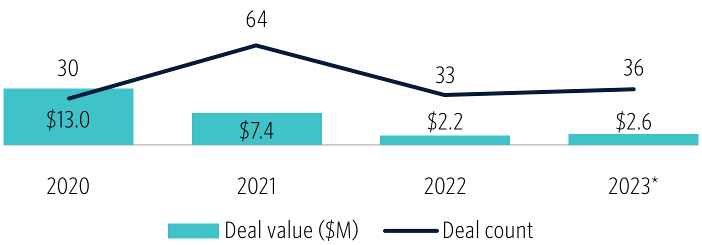
Enterprise fintech companies have been the primary targets of acquirers in fintech. In 2023, 90.7% of fintech M&A value ($25.7 billion) and 75.2% of fintech M&A count (109 deals) came from enterprise fintech acquisitions. Comparatively, retail fintech companies made up 9.3% of M&A value ($2.6 billion) and 24.8% of M&A count (36 deals) in 2023. In 2022 and 2021, most M&A activity was attributable to enterprise fintech companies as well.

Enterprise fintech M&A activity



Source: PitchBook • Geography: US and Canada • *As of December 31, 2023

Retail fintech M&A activity



Source: PitchBook • Geography: US and Canada • *As of December 31, 2023

Enterprise fintech companies have been strong acquisition targets in recent years as B2C models have struggled amid tough market conditions. Consumer fintech companies, such as those in the digital banking sector, have generally faced challenges in delivering profits with higher interest rates and persistent inflationary pressures hampering the financial health of consumers. In addition, fintech companies have looked to expand their product suites and realize greater operating efficiencies by leveraging software platforms and infrastructure providers. Key examples of this include Stripe acquiring consumption-based billing platform Octane, FIS acquiring embedded finance company Bond, and NBH acquiring deposit processing platform Cambr.

We expect enterprise fintech companies will remain primary acquisition targets. One reason for this is the significant amount of venture capital that has been allocated toward B2B fintech startups, which has increased the saturation of B2B companies. In 2023, enterprise fintech startups secured 70.1% of fintech venture capital, compared with 40.6% in 2019. Enterprise fintech companies also help other companies strengthen their businesses by providing the infrastructure to embed and launch new offerings (as seen with Fifth Third Bank acquiring Rize Money), scale in new markets (as seen with Visa buying Pismo), and augment existing product functions (as seen with Marqeta acquiring Power Finance).

Still, B2C fintech companies may see an uptick in acquisition activity over the medium term. Many consumer fintech companies closed funding rounds at inflated valuations in recent years, when interest rates were lower and capital was more prevalent. However, some of these startups have faced difficulties in pivoting from a hypergrowth strategy and achieving positive bottom lines. Failure to secure additional runway may result in greater consideration for selling to an acquirer.

We believe this cohort of startups will accept lower valuations than those last seen in 2021 and 2022 when agreeing to a sale or securing new capital. However, our data suggests this has not yet occurred, as the median pre-money valuation step-up multiple for retail fintech companies was 1.5x in 2023. The median step-up multiples were also well above 1.0x across all deal stages in 2023: 1.9x for pre-seed/seed, 1.8x for early stage, 1.3x for late stage, and 1.4x for venture growth.

Key enterprise fintech acquisitions in 2023*

Company	Segment	Close date	Exit value ($M)	Acquirer(s)
Pismo	Financial services infrastructure	July 7	$1,000.0	Visa
Payzer	Payments	November 2	$250.0	WEX
Power	Financial services infrastructure	February 3	$221.9	Marqeta
SlimPay	Payments	August 30	$76.4	Trustly Group
Goals101	Financial services infrastructure	December 13	$30.0	M2P Fintech
delt.ai	Commercial finance	August 4	$20.0	albo
Cobase	Financial services infrastructure	December 1	$10.4	Alpha Group
Hypur	Payments	April 1	$7.5	POSaBIT
Beehive	Alternative lending	July 31	$6.4	Emirates Telecommunications Group Company
Meyacom Technology	Regtech	April 7	$6.3	Hydsoft Technology

Source: PitchBook • Geography: US and Canada • *As of December 31, 2023

Key retail fintech acquisitions in 2023*

Company	Segment	Close date	Exit value ($M)	Acquirer(s)
Cushon	Wealthtech	January 6	$152.8	NatWest Group
Órama	Wealthtech	October 2	$121.9	BTG Pactual
Kanmu	Consumer payments	March 30	$105.1	MUFG Bank
Uplift	Credit & banking	July 25	$100.0	Upgrade
One River Asset Management	Wealthtech	March 3	$96.8	Coinbase
X1 Card	Credit & banking	July 3	$95.0	Robinhood
Kron	Wealthtech	January 3	$43.0	The Storebrand Group
Funderbeam	Wealthtech	May 4	$40.0	Draper Associates, Mistletoe, VentureWave Capital
LiquiLoans	Alternative lending	March 22	$36.4	BharatPe
InvestingNote	Wealthtech	January 4	$22.2	ShareInvestor

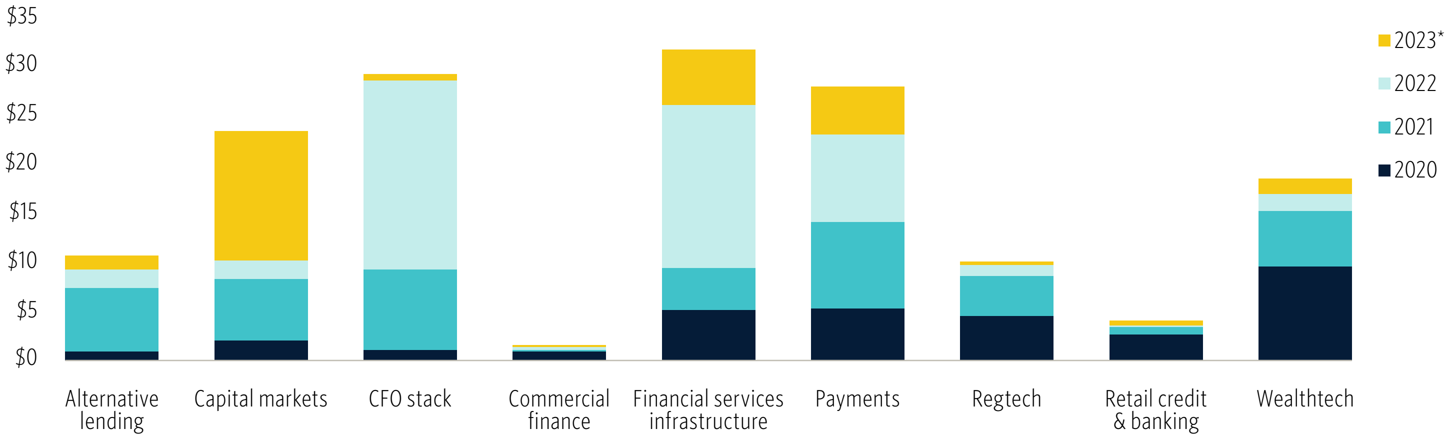
Source: PitchBook • Geography: US and Canada • *As of December 31, 2023

M&A by segment

From 2020 to 2023, the segments that saw the highest M&A value were financial services infrastructure ($31.7 billion), CFO stack ($29.2 billion), and payments ($27.9 billion). The financial services infrastructure and payments segments saw notable decreases in acquisition activity in 2023, logging $5.7 billion (-65.8% YoY) and $5.0 billion (-44.6% YoY) in M&A value, respectively. The CFO stack segment saw a steep drop in M&A value in 2023, declining 96.3% YoY to $0.7 billion. Notably, the capital markets segment saw an uptick in M&A value in 2023, recording $13.1 billion (+574.5% YoY). This was primarily due to Nasdaq's $10.5 billion acquisition of Adenza.

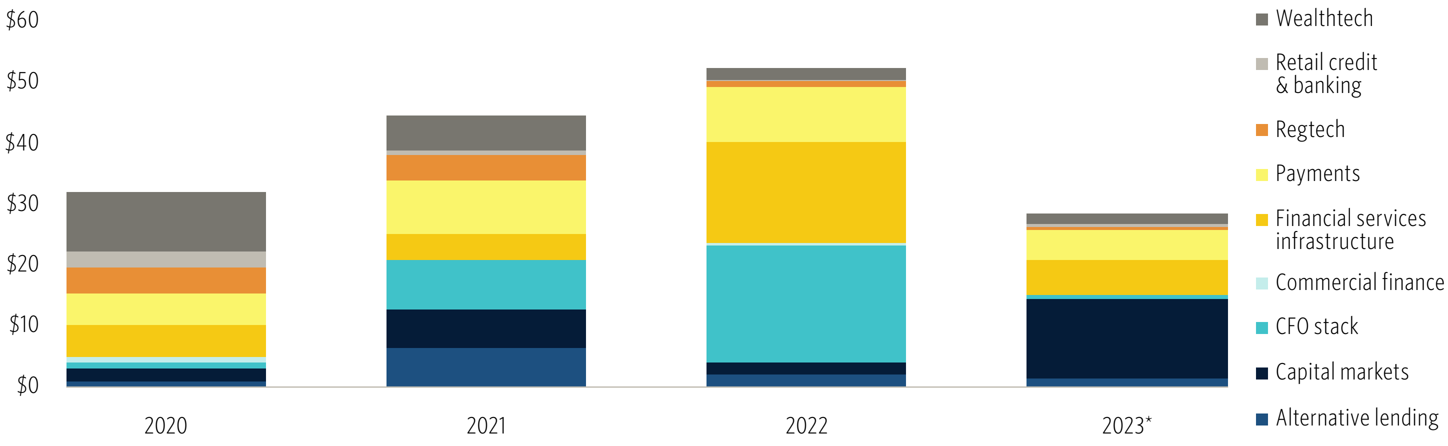
Many of the top segments saw YoY declines in M&A value in 2023. However, this was because most of their M&A values in the prior year were driven by a few large deals. In 2022, the financial services infrastructure segment derived the majority of its M&A value from ICE's $11.7 billion acquisition of Black Knight, while the payments segment derived much of its deal value from Global Payments' $4.0 billion acquisition of EVO Payments and Madison Dearborn Partners' $1.8 billion LBO of MoneyGram. Similarly, the CFO stack segment's M&A value in 2022 was driven by two public-to-private buyouts: Tax compliance provider Avalara and spending management platform Coupa were bought out via LBOs valued at $8.4 billion and $8.0 billion, respectively.

Fintech M&A value ($B) by segment (yearly breakdown)



Source: PitchBook • Geography: US and Canada • *As of December 31, 2023

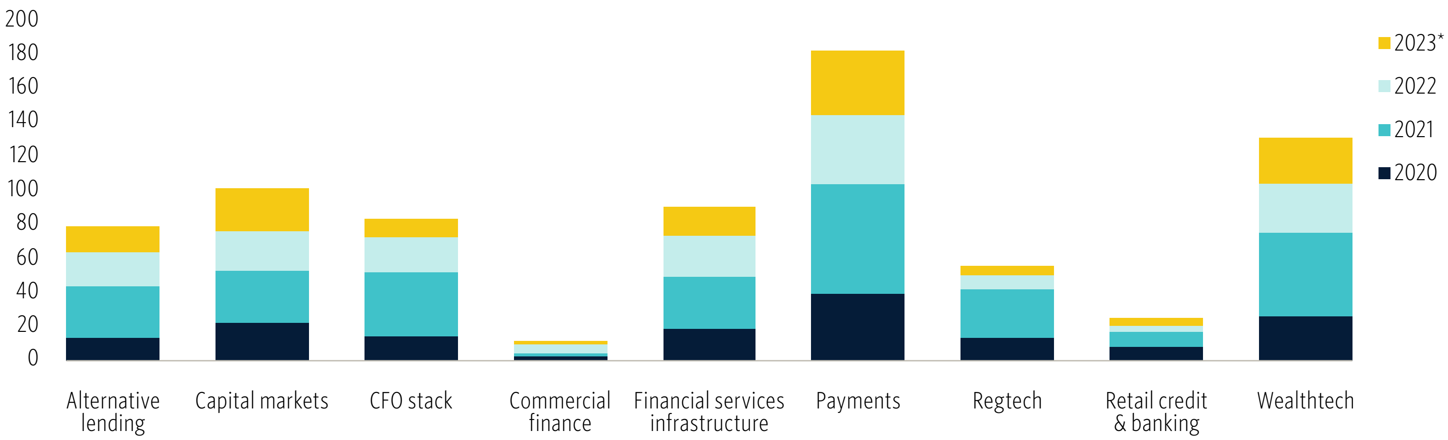
Fintech M&A value ($B) by year (segment breakdown)



Source: PitchBook • Geography: US and Canada • *As of December 31, 2023

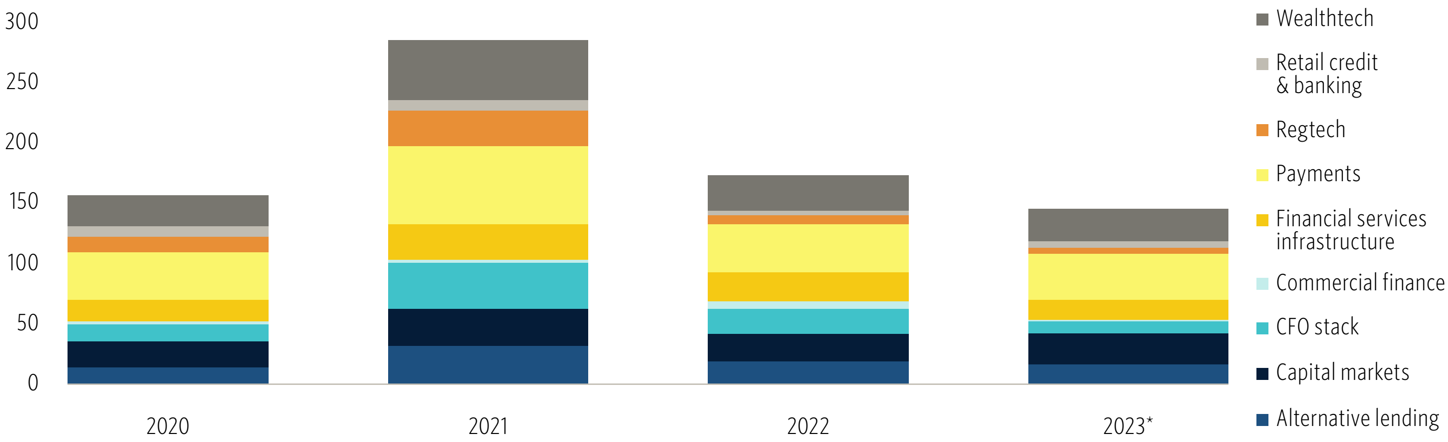
Segments that saw the most deals from 2020 to 2023 include payments (182 deals), wealthtech (131 deals), capital markets (101 deals), and financial services infrastructure (90 deals). In contrast, the segments with the fewest deals during this period were commercial finance (11 deals), retail credit & banking (25 deals), and regtech (55 deals). All segments derived the bulk of their deal counts from 2021 and 2022. Resultingly, each segment also witnessed a notable YoY decline in M&A count in 2023. Payments, wealthtech, and capital markets saw the most deals in 2023, recording 38, 27, and 25 deals, respectively.

Fintech M&A count by segment (yearly breakdown)



Source: PitchBook • Geography: US and Canada • *As of December 31, 2023

Fintech M&A count by year (segment breakdown)



Source: PitchBook • Geography: US and Canada • *As of December 31, 2023

In the past four years, the top five largest deals were in the CFO stack, financial services infrastructure, capital markets, and wealthtech segments. Specifically, these deals include ICE's $11.7 billion acquisition of Black Knight in 2022, Nasdaq's $10.5 billion acquisition of Adenza in 2023, Vista Equity Partners' $8.4 billion take-private LBO of Avalara in 2022, Thoma Bravo's $8.0 billion take-private LBO of Coupa in 2022, and Intuit's $7.1 billion purchase of Credit Karma in 2020.[1]

The payments sector also saw some notable deals during this time, such as Global Payments' $4.0 billion acquisition of EVO Payments and MoneyGram's $1.8 billion public-to-private deal via LBO. However, these deals hardly compare in size with those of major payments acquisitions in 2019, most notably FIS' $48.3 billion acquisition of Worldpay, Fiserv's $46.5 billion acquisition of First Data, and Global Payments' $24.5 billion acquisition of Total System Services.

Looking ahead, we expect to see additional deals announced within these segments. While much consolidation has taken place in more mature segments such as capital markets and payments, we believe emerging technologies such as generative artificial intelligence (GenAI) and demand for growth in a slower-paced market will drive further consolidation. However, few deals will likely be on the same magnitude as the megadeals we saw in the payments segment during 2019; board members and stakeholders may still be struggling on the value creation of large deals. For example, FIS' spin-off of Worldpay in 2023 values the company at $18.5 billion, or 38.3% of the price paid in 2019.

Outsized deals may additionally be viewed with caution due to regulatory challenges and antitrust concerns, further deterring large acquisitions. Visa's attempted $5.3 billion purchase of Plaid serves as an example of this; the acquisition was announced in early 2020, only to be abandoned due to antitrust concerns in 2021. There have also been similar antitrust occurrences in the broader market as of late. In 2023, we saw Meta's forced sale of GIPHY for $53.0 million (originally acquired for $315.0 million) and Adobe forfeit its $20.0 billion acquisition of Figma, while in 2024, Amazon terminated its attempted acquisition of iRobot.

1: We base these deals on their announcement year, not their close year.

Top 10 largest M&A and buyouts in alternative lending from 2020 to 2023*

Company	Close date	Deal type	Deal value ($M)	Investor(s)/acquirer(s)
GreenSky	March 29, 2022	M&A	$2,240.0	The Goldman Sachs Group
American First Finance	December 17, 2021	M&A	$1,118.0	FirstCash
SimpleNexus	January 7, 2022	M&A	$933.6	nCino
Greenbacker Capital Management	May 23, 2022	M&A	$330.0	Greenbacker Renewable Energy Company
Fundation	February 1, 2022	M&A	$175.0	Amount
Frank	September 21, 2021	M&A	$175.0	JP Morgan Chase
OnDeck	October 13, 2020	M&A	$115.7	Enova International
Payix	December 29, 2021	M&A	$115.0	Realtime Electronic Payments
Elevate Credit	February 28, 2023	M&A	$67.0	Park Cities Asset Management
Aidvantage	October 6, 2021	M&A	$65.0	Maximus

Source: PitchBook • Geography: US and Canada • *As of December 31, 2023

Top 10 largest M&A and buyouts in capital markets from 2020 to 2023*

Company	Close date	Deal type	Deal value ($M)	Investor(s)/acquirer(s)
Adenza	November 1, 2023	M&A	$10,500.0	Nasdaq
Adenza	July 22, 2021	Buyout/LBO	$3,750.0	Thoma Bravo
Burgiss	October 2, 2023	M&A	$697.0	MSCI
Broadway Technology	October 3, 2023	M&A	$450.0	Bloomberg
Tora Trading	August 9, 2022	M&A	$310.4	London Stock Exchange Group
FairX	February 1, 2022	M&A	$275.1	Coinbase
GAIN Capital	July 30, 2020	M&A	$236.6	StoneX Group
YCharts	October 9, 2020	Buyout/LBO	$202.5	LLR Partners
Q4	January 30, 2024	Buyout/LBO	$204.3	Sumeru Equity Partners
Sentieo	May 11, 2022	M&A	$185.0	AlphaSense

Source: PitchBook • Geography: US and Canada • *As of December 31, 2023

Top 10 largest M&A and buyouts in CFO stack from 2020 to 2023*

Company	Close date	Deal type	Deal value ($M)	Investor(s)/acquirer(s)
Avalara	October 18, 2022	Buyout/LBO	$8,400.0	Ares Capital Corporation BDC, Vista Equity Partners
Coupa	February 27, 2023	Buyout/LBO	$8,000.0	Abu Dhabi Investment Authority, CapitalG, General Atlantic, Thoma Bravo
Divvy	June 1, 2021	M&A	$2,300.0	Bill.com
Billtrust	December 15, 2022	Buyout/LBO	$1,700.0	EQT
FinThrive	January 28, 2021	Buyout/LBO	$1,000.0	Clearlake Capital Group
Egencia	November 2, 2021	Buyout/LBO	$750.0	American Express Global Business Travel, Beach Point Capital Management, BlackRock Private Equity Partners, Certares, Macquarie Asset Management
Invoice2go	September 1, 2021	M&A	$674.3	Bill.com
Caret	March 10, 2021	Buyout/LBO	$551.2	Goldman Sachs BDC, Goldman Sachs Private Middle Market Credit II BDC, SL Investment BDC, Thomas H. Lee Partners
MineralTree	October 18, 2021	M&A	$500.0	Global Payments
Zenefits	February 15, 2022	M&A	$209.0	TriNet Group

Source: PitchBook • Geography: US and Canada • *As of December 31, 2023

Top 10 largest M&A and buyouts in commercial finance from 2020 to 2023*

Company	Close date	Deal type	Deal value ($M)	Investor(s)/acquirer(s)
Kabbage	October 16, 2020	M&A	$850.0	American Express
Nearside	November 1, 2022	M&A	$130.0	Plastiq
FastPay	July 12, 2021	M&A	$79.1	AvidXchange
Abaca	November 15, 2022	M&A	$28.4	Safe Harbor Financial

Source: PitchBook • Geography: US and Canada • *As of December 31, 2023

Top 10 largest M&A and buyouts in financial services infrastructure from 2020 to 2023*

Company	Close date	Deal type	Deal value ($M)	Investor(s)/acquirer(s)
Black Knight	September 5, 2023	M&A	$11,700.0	ICE
EngageSmart	January 26, 2024	Buyout/LBO	$4,000.0	Vista Equity Partners
Bottomline Technologies	May 13, 2022	Buyout/LBO	$2,600.0	Thoma Bravo
Optimal Blue	September 15, 2020	M&A	$1,800.0	Cannae Holdings, Compass Analytics, Thomas H. Lee Partners
Computer Services	November 14, 2022	Buyout/LBO	$1,600.0	Bridgeport Partners, Centerbridge Partners, CFT Capital Partners
Galileo	May 14, 2020	M&A	$1,200.0	SoFi
Technisys	March 3, 2022	M&A	$915.4	SoFi
Finicity	November 18, 2020	M&A	$873.0	Mastercard
Optimal Blue	September 15, 2023	M&A	$700.0	Constellation Software
Finxact	April 1, 2022	M&A	$672.0	Fiserv

Source: PitchBook • Geography: US and Canada • *As of December 31, 2023

Top 10 largest M&A and buyouts in payments from 2020 to 2023*

Company	Close date	Deal type	Deal value ($M)	Investor(s)/acquirer(s)
EVO Payments	March 24, 2023	M&A	$4,000.0	Global Payments
MoneyGram	June 1, 2023	Buyout/LBO	$1,800.0	Madison Dearborn Partners, Stellar
Paya	February 23, 2023	M&A	$1,300.0	Nuvei
Avantax	November 27, 2023	Buyout/LBO	$1,200.0	Cetera Financial Group, Genstar Capital, Parthenon Capital Partners
Venmo	August 1, 2020	M&A	$800.0	PayPal Holdings
Payrix Solutions	December 23, 2021	M&A	$777.0	Fidelity National Information Services
ShopKeep	November 25, 2020	M&A	$554.9	Lightspeed POS
BillingTree	June 15, 2021	M&A	$506.6	Realtime Electronic Payments
Sendwave	February 16, 2021	M&A	$500.0	Zepz
Levelset	November 2, 2021	M&A	$484.1	Procore Technologies

Source: PitchBook • Geography: US and Canada • *As of December 31, 2023

Top 10 largest M&A and buyouts in regtech from 2020 to 2023*

Company	Close date	Deal type	Deal value ($M)	Investor(s)/acquirer(s)
Verafin	February 11, 2021	M&A	$2,750.0	Nasdaq
Abrigo	August 3, 2021	Buyout/LBO	$1,300.0	Accel-KKR, The Carlyle Group
Confluence Technologies	August 9, 2021	Buyout/LBO	$900.0	Blackstone Secured Lending Fund BDC, Clearlake Capital Group
RDC	February 13, 2020	M&A	$700.0	Moody's Analytics
Abrigo	March 30, 2022	Buyout/LBO	$456.8	Accel-KKR
Certent	December 30, 2020	Buyout/LBO	$195.0	Genstar Capital, Golub Capital BDC, Insightsoftware, TA Associates Management
Digital Shadows	July 23, 2022	Buyout/LBO	$160.0	FTV Capital, ReliaQuest
Vesta Payment Solutions	May 28, 2020	Buyout/LBO	$135.0	Goldfinch Partners
Say	August 13, 2021	M&A	$132.8	Robinhood
Chargeback	November 1, 2021	M&A	$65.0	Sift

Source: PitchBook • Geography: US and Canada • *As of December 31, 2023

Top 10 largest M&A and buyouts in retail credit & banking from 2020 to 2023*

Company	Close date	Deal type	Deal value ($M)	Investor(s)/acquirer(s)
Acima Credit	February 17, 2021	M&A	$1,394.0	Preferred Lease
Bread	December 3, 2020	M&A	$491.0	Bread Financial Holdings
QuadPay	September 1, 2020	M&A	$296.0	Rainfall Ventures, Zip Co
PayBright	January 1, 2021	M&A	$265.5	Affirm
Digit	December 22, 2021	M&A	$205.3	Oportun
Flexiti	March 10, 2021	M&A	$113.4	CURO Financial Technologies
X1 Card	July 3, 2023	M&A	$104.0	Robinhood
Uplift	July 25, 2023	M&A	$100.0	Upgrade
Flexiti	August 31, 2023	M&A	$40.8	Questrade
NXT Bank	October 1, 2021	M&A	$39.9	HBT Financial

Source: PitchBook • Geography: US and Canada • *As of December 31, 2023

Top 10 largest M&A and buyouts in wealthtech from 2020 to 2023*

Company	Close date	Deal type	Deal value ($M)	Investor(s)/acquirer(s)
Credit Karma	December 3, 2020	M&A	$7,100.0	Intuit
Truebill	December 23, 2021	M&A	$1,200.0	Rocket Companies
Personal Capital	August 18, 2020	M&A	$1,000.0	Empower Retirement
InvestCloud	February 1, 2021	Buyout/LBO	$800.0	Accenture, Citi Ventures, Clearlake Capital Group, Fiserv, Motive Partners
Investment Metrics	November 3, 2021	Buyout/LBO	$500.0	Clearlake Capital Group, Confluence Technologies, TA Associates Management
Voyant	July 1, 2021	M&A	$145.5	AssetMark
On the Barrelhead	July 11, 2022	M&A	$118.2	NerdWallet
One River Asset Management	March 3, 2023	M&A	$96.8	Coinbase
Scivantage	March 2, 2020	Buyout/LBO	$82.3	Blackstone, Refinitiv
GradFin	May 2, 2022	M&A	$72.0	KeyBanc Capital Markets

Source: PitchBook • Geography: US and Canada • *As of December 31, 2023

For segments where potential strategic acquisitions could take place, we believe the CFO stack, payments, financial services infrastructure, and wealthtech segments are strong candidates. Companies in these segments have significant opportunities for market growth and are strategically increasing growth by rolling up new products and offerings. In 2023, we saw several examples of this acquisition strategy:

- Salesforce, a public leader in customer relationship management, bought commission management platform Spiff to expand its sales performance management offering.
- When I Work, a workforce management platform, acquired Lean Financial to offer on-demand pay solutions.
- WEX, a public fleet payments company, paid $250.0 million for Payzer to enhance payment services for contractors.
- Belvo, an open banking platform, bought Brazilian payments startup Skilopay to add instant payment capabilities using real-time payments rail Pix.
- Guiker, a Canada-based real estate platform, acquired alternative investments startup Willow to add fractional real estate investing capabilities to its offerings.

Many of these companies may also look to boost growth by expanding their geographical footprints. For example, companies in payments and payroll industries often have global customer bases and could benefit from acquisitions that help further international expansion. Many recent acquisitions highlight this approach, including:

- Girasol Payment Solutions' purchase of Colombian-based FinZi to enter the South American markets.
- Visa acquiring a majority stake in Mexican payments processor Prosa to accelerate its digital payments capabilities in Mexico.
- The European Payments Initiative's dual acquisition of Dutch payments platform iDEAL and Luxembourg payments startup Payconiq to expand its coverage across Europe.
- Ant Group buying Dutch payments company MultiSafepay for $200.0 million to further venture into Western markets.
- Webull acquiring investment platform Flink to enter the Mexican trading market.

Companies in the CFO stack, credit & banking, financial services infrastructure, lending, and wealthtech segments are also likely to integrate GenAI technologies. Players such as Klarna, Brex, Navan, Public, MoneyLion, bunq, and eToro have all begun to explore new GenAI offerings. As the race to explore AI's opportunities remains fierce, we expect many buy-versus-build conversations will persist. Some M&A activity involving companies with AI-powered products include:

- Ramp's acquisition of AI customer support startup Cohere.io to enhance operational efficiencies and add talent in AI.
- Brightflow AI's purchase of data intelligence startup CircleUp to offer its small and medium-size business (SMB) customers AI-powered financial insights.
- ieDigital's acquisition of AI & machine learning recommendation engine ABAKA to enhance analytical capabilities and deliver hyperpersonalized financial services.
- M2P Fintech's deal to acquire transaction behavioral intelligence platform Goals101 to augment insight-gathering abilities and bolster personalized digital banking products.
- Perfios' acquisition of open banking platform Fego.ai to build out transaction-intelligence-driven products.

Top 10 fintech subsegments by M&A value ($B)

2020	2021	2022	2023*
Crime surveillance & fraud detection $2.7	Expense management & accounts payable and accounts receivable (AP/AR) automation $5.3	Enterprise architecture $14.0	Enterprise architecture $11.0
Credit & buy now, pay later (BNPL) $2.4	Enterprise architecture $3.7	Expense management & AP/AR automation $9.8	Platforms & application programming interfaces (APIs) $4.2
Enterprise architecture $2.2	Platforms & APIs $2.7	Accounting, tax & compliance $8.4	B2B payments $1.5
Platforms & APIs $2.0	Payment platforms & point-of-sale (POS) $2.4	Payment platforms & POS $4.8	Payment platforms & POS $1.4
Personal financial management $1.0	Commercial lending $2.2	Cross-border & FX $1.8	Data & analytics $0.6
Payment platforms & POS $0.9	B2B payments $1.3	Platforms & APIs $0.6	Infrastructure $0.6
Regulatory affairs & compliance $0.8	Retail & marketplace lending $1.3	Commercial lending $0.5	Wallets & super apps $0.3
Digital banking $0.8	Crime surveillance & fraud detection $1.3	Crime surveillance & fraud detection $0.4	Credit & BNPL $0.2
Debit & peer-to-peer (P2P) $0.8	Personal financial management $1.2	Infrastructure $0.4	Trading $0.1
Cross-border & FX $0.4	Advisortech $0.9	B2B payments $0.4	Alternative investments $0.1

Source: PitchBook • Geography: US and Canada • *As of December 31, 2023

Top 10 fintech subsegments by M&A count

2020	2021	2022	2023*
Payment platforms & POS 20	Payment platforms & POS 28	Payment platforms & POS 23	Payment platforms & POS 24
Enterprise architecture 12	Expense management & AP/AR automation 18	Enterprise architecture 13	Investment tools & platforms 11
Advisortech 10	Enterprise architecture 15	Expense management & AP/AR automation 11	Data & analytics 10
Accounting, tax & compliance 7	Advisortech 15	Platforms & APIs 11	Platforms & APIs 9
Expense management & AP/AR automation 7	Accounting, tax & compliance 13	Data & analytics 9	Enterprise architecture 8
Credit & BNPL 6	Platforms & APIs 13	B2B payments 8	B2B payments 7
Platforms & APIs 6	Regulatory affairs & compliance 12	Retail & marketplace lending 7	Personal financial management 5
Infrastructure 5	Trading 8	Personal financial management 7	Infrastructure 5
Regulatory affairs & compliance 5	Commercial lending 8	Digital banking 7	Commercial lending 5
	Retail & marketplace lending 8	Advisortech 6	Trading 5

Source: PitchBook • Geography: US and Canada • *As of December 31, 2023

Note: In 2020, B2B payments, risk management, trading, and underwriting & credit scoring were tied for 10th place at four deals each.

M&A by subsegment

Top subsegments for M&A activity from 2020 to 2023 include enterprise architecture ($18.0 billion); infrastructure ($15.4 billion); expense management & AP/AR automation ($15.2 billion); platforms & APIs ($9.8 billion); payment platforms & POS ($9.7 billion); and accounting, tax & compliance ($9.4 billion). The subsegments typically include software-as-a-service (SaaS) businesses with contracted revenue.

Fintech M&A value ($B) by subsegment

Subsegment	2020	2021	2022	2023*
Accounting, tax & compliance	$0.28	$0.69	$8.40	$0.00
Advisortech	$0.00	$0.95	$0.02	$0.00
Alternative capital	$0.00	$0.00	$0.01	$0.00
Alternative investments	$0.00	$0.00	$0.00	$0.10
B2B payments	$0.40	$1.40	$0.44	$1.53
Brokerage	$0.03	$0.00	$0.00	$0.03
Budgeting & forecasting	$0.00	$0.00	$0.09	$0.03
Commercial lending	$0.12	$2.25	$0.51	$0.00
Credit & BNPL	$2.46	$0.14	$0.00	$0.25
Crime surveillance & fraud detection	$2.78	$1.30	$0.46	$0.00
Cross-border and FX	$0.42	$0.00	$1.80	$0.00
Data & analytics	$0.00	$0.00	$0.21	$0.70
Debit & P2P	$0.80	$0.10	$0.00	$0.00
Digital advisory	$0.00	$0.00	$0.00	$0.00
Digital banking	$0.85	$0.25	$0.16	$0.00
Enterprise architecture	$2.21	$0.04	$14.96	$0.75
Expense management & AP/AR automation	$0.02	$5.37	$9.84	$0.00
Infrastructure	$0.03	$3.75	$0.45	$11.15
Investment tools & platforms	$0.00	$0.51	$0.08	$0.00
Loyalty & rewards	$0.00	$0.32	$0.00	$0.00
Marketplace lending	$0.00	$0.00	$0.00	$0.00
Microlending	$0.00	$0.04	$0.00	$0.00
Nondilutive finance	$0.00	$0.08	$0.00	$0.00
Payment platforms & POS	$0.93	$2.42	$4.89	$1.45
Payroll & earned wage access	$0.00	$0.23	$0.00	$0.00
Personal financial management	$1.00	$1.20	$0.22	$0.00
Platforms & APIs	$2.07	$2.75	$0.70	$4.22

Source: PitchBook • Geography: US and Canada • *As of December 31, 2023

Fintech M&A value ($B) by subsegment (continued)

Subsegment	2020	2021	2022	2023*
Real estate lending	$0.02	$0.93	$0.00	$0.00
Regulatory affairs & compliance	$0.90	$0.13	$0.00	$0.00
Retail & marketplace lending	$0.00	$1.36	$0.08	$0.00
Retirement planning	$0.00	$0.00	$0.01	$0.00
Risk management	$0.00	$0.00	$0.16	$0.00
Trading	$0.24	$0.00	$0.28	$0.13
Underwriting & credit scoring	$0.00	$0.12	$0.00	$0.00
Wallets & super apps	$0.00	$0.08	$0.02	$0.32

Source: PitchBook • Geography: US and Canada • *As of December 31, 2023

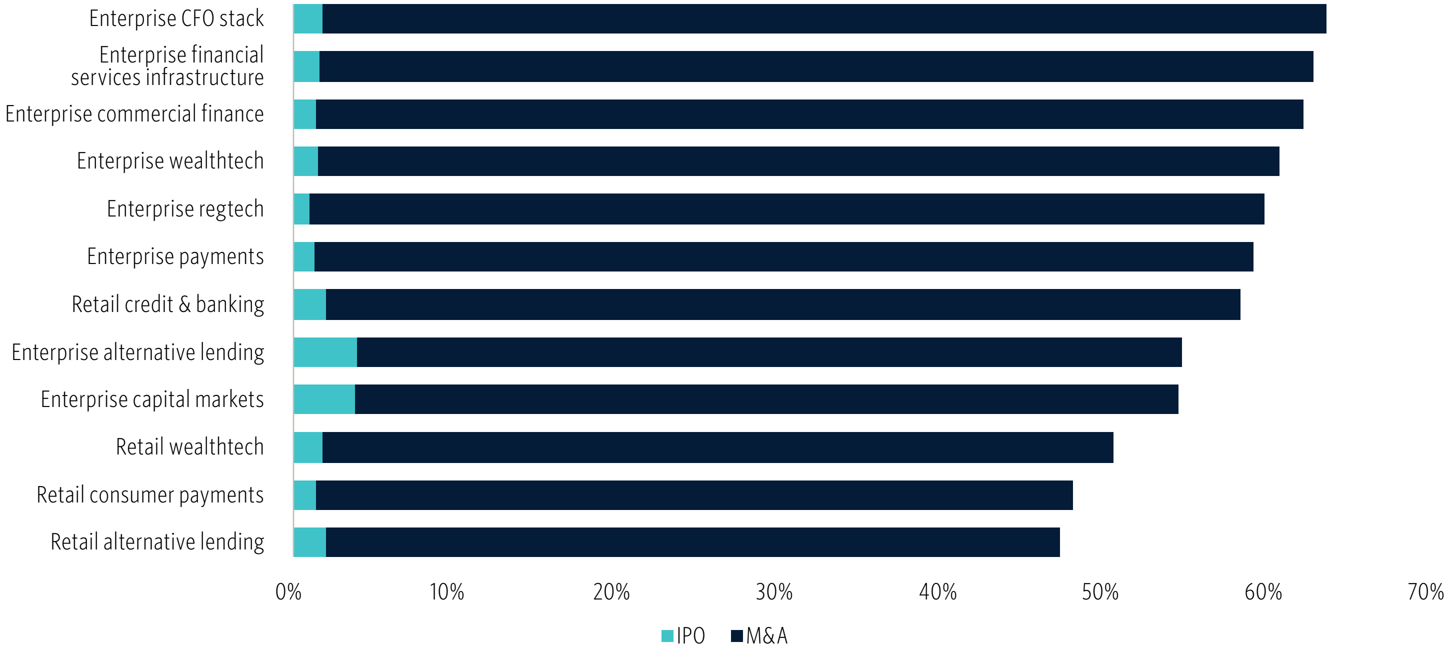
Exit predictions

PitchBook's proprietary VC Exit Predictor estimates the probability that a startup, or VC-backed company, will successfully exit via IPO, be acquired, or merge. In the following charts, we provide the average Exit Predictor scores for each fintech segment. Companies included in these average Exit Predictor scores are those that raised either a second or third round of funding in any period from 2020 to 2023.

For example, a segment may have a 70% average Exit Predictor score for companies that raised a second round. This would imply that the companies in this segment have a 70% chance on average to exit via IPO or M&A. The exit score can additionally be broken down into the sum of the average IPO score and average M&A score. In the aforementioned example, the 70% exit score may be composed of a 10% IPO exit score and a 60% M&A exit score, implying that companies in this segment have, on average, a 10% chance to exit via IPO and a 60% chance to get acquired.

For companies that raised a second round between 2020 and 2023, the highest average Exit Predictor scores were primarily seen in B2B segments rather than B2C segments. In particular, the top exit scores were captured by the CFO stack (63%), financial services infrastructure (63%), and commercial finance (62%) segments. These segments also saw the highest average M&A exit scores of 61%, 62%, and 61%, respectively. Segments with the lowest exit scores include retail alternative lending (47%), retail payments (48%), and retail wealthtech (50%). Similarly, these segments saw the lowest average M&A exit scores of 46%, 45%, and 49%, respectively.

Average Exit Predictor scores for fintech companies that raised a second round between 2020 and 2023 by segment and exit type*



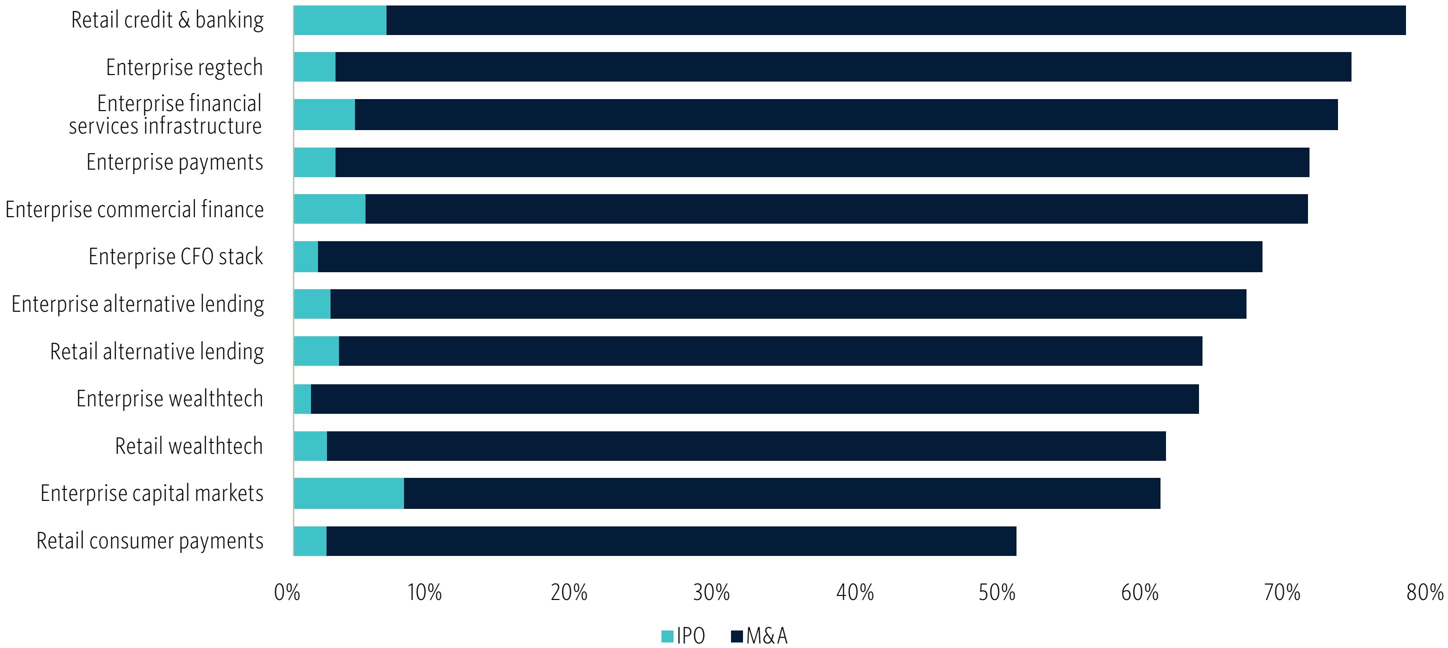
Source: PitchBook • Geography: US and Canada • *As of December 31, 2023
Note: Probability data is based on PitchBook VC Exit Predictor methodology.

When examining companies that raised a third round between 2020 and 2023, the average exit scores were generally higher than those of companies that raised a second round. A notable observation for this cohort of companies is that not all B2B sectors have the highest chances of exiting. The segment with the highest exit score was retail credit & banking (78%), followed by regtech (74%) and financial services infrastructure (73%). These segments also had the highest average M&A exit scores of 71%, 71%, and 69%, respectively.

Segments with the lowest total exit scores were retail consumer payments (51%), capital markets (61%), and retail wealthtech (61%). These segments similarly had the lowest average M&A exit scores, with retail consumer payments once again recording the lowest average M&A exit score of 48%. Capital markets had the second-lowest average M&A exit score of 53%, though the segment notably had the top average IPO exit score of 8%. Retail wealthtech had an average M&A exit score of 59%; this is a notable increase from the 49% average M&A exit score for retail wealthtech companies that raised only two rounds.

All segments showed an improvement in their average M&A exit scores when comparing companies that raised three rounds to companies that raised two. This reinforces the idea that companies with additional funding are more likely to get acquired. Segments that saw the greatest jump in their average M&A exit scores include retail alternative lending (from 45% to 61%), retail credit & banking (from 56% to 71%), and regtech (from 59% to 71%).

Average Exit Predictor scores for companies that raised a third round between 2020 and 2023 by segment and exit type*



Source: PitchBook • Geography: US and Canada • *As of December 31, 2023
Note: Probability data is based on PitchBook VC Exit Predictor methodology.

Top 15 VC-backed fintech companies by exit opportunity score*

Company	Predicted exit type	IPO probability	M&A probability	No exit probability	Segment
Greenwood	M&A	10%	88%	2%	Credit & banking
Arta Finance	M&A	4%	94%	2%	Wealthtech
iink Payments	M&A	4%	93%	3%	Payments
LeaseQuery	M&A	8%	87%	5%	CFO stack
LIQUiDITY Group	IPO	69%	26%	5%	Capital markets
Array	M&A	37%	58%	5%	Credit & banking
Eltropy	M&A	44%	50%	6%	CFO stack
SellersFi	IPO	63%	30%	7%	Alternative lending
Copper Banking	M&A	20%	73%	7%	Credit & banking
Setpoint	M&A	11%	82%	7%	Capital markets
Brightflow AI	M&A	23%	69%	8%	CFO stack
Zolve	M&A	25%	65%	10%	Credit & banking
R3	IPO	82%	6%	12%	Capital markets
Mission Lane	IPO	69%	18%	13%	Credit & banking
Nada	M&A	27%	60%	13%	Wealthtech

Source: PitchBook • Geography: US and Canada • *As of December 31, 2023
Note: Probability data is based on PitchBook VC Exit Predictor methodology.

Valuations and M&A liquidity

Interest rates, corporate confidence in the future, robust GDP growth, and valuations will continue to heavily influence M&A activity levels in 2024. Uncertainty and change typically lead to inaction. The disconnect on valuations played a role in slowing down deals, as many potential acquirers adopted a "wait and see" approach. Additional deals and new funding rounds with disclosed values may provide greater clarity on valuations, aiding dealmakers in reaching agreements.

Public fintech valuations rallied in 2023. Valuations may have potentially already bottomed, which we believe is a signal many sidelined buyers have been waiting for. However, some public valuation multiples remain in flux; companies such as Nubank have earned positive re-ratings on a YoY basis for delivering profits and continued growth, while companies such as Wise (which have similarly delivered positive top and bottom lines) have seen their multiples contract.

Median fintech public valuation multiples by cohort*

	Median EV/TTM sales			Median EV/TTM GP			Median EV/TTM EBITDA			Median price/TTM EPS		
Cohort	1/31/23	1/31/24	% change	1/31/23	1/31/24	% change	1/31/23	1/31/24	% change	1/31/23	1/31/24	% change
Neobanks, brokers, crypto	2.8x	2.6x	-7%	2.6x	3.3x	27%	-5.5x	-5.4x	2%	6.0x	55.1x	818%
High-growth payments	3.5x	4.2x	20%	7.7x	7.0x	-9%	26.0x	18.6x	-28%	77.8x	38.1x	-51%
Medium-growth and legacy payments	4.9x	4.7x	-4%	8.2x	8.6x	5%	13.7x	12.2x	-11%	25.1x	16.5x	-34%
High-growth fintech	4.7x	8.4x	79%	8.2x	13.7x	67%	-82.4x	-19.4x	76%	-68.4x	-94.6x	-38%
Medium-growth and legacy fintech	5.2x	5.9x	13%	9.7x	9.4x	-3%	15.8x	13.6x	-14%	10.9x	15.1x	39%

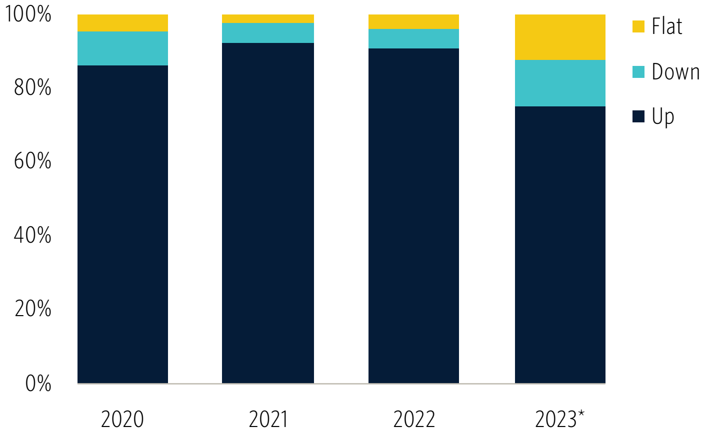
Source: PitchBook • Geography: US and Canada • *As of January 31, 2024

As a result, buyers may continue to wait and observe additional changes in valuations. Private company valuations have additionally lagged those of public companies, which have mean-reverted from abnormally heightened levels in 2021 and 2022. In 2023, the median pre-money valuation step-up multiple for fintech startups was 1.5x, and the median step-up across all deal stages was above 1.0x. This implies the fintech sector has yet to see a significant wave of down rounds.

However, our data shows that the number of down rounds as a percentage of total VC rounds increased from 2022 to 2023. In 2023, 12.7% of all fintech VC rounds were down rounds, 75.2% were up rounds, and 12.1% were flat rounds. Comparatively, only 5.4% of VC rounds were down rounds in 2022, with up rounds and flat rounds representing 90.6% and 4.0% of deals, respectively.

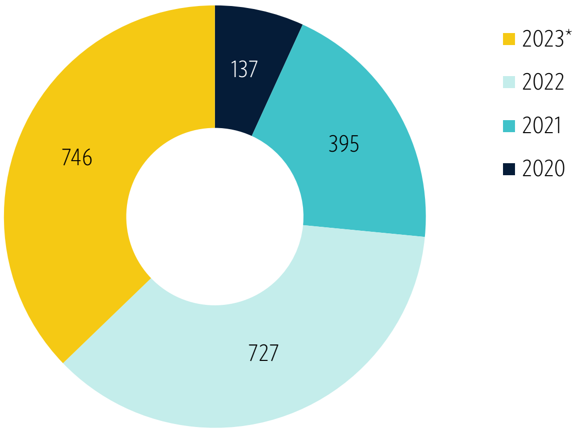
For fintech startups that have not exited, we currently log 746 companies that last raised a round in 2023, 727 companies that last raised a round in 2022, and 395 companies that last raised a round in 2021. Some of these startups secured high valuations during the boom period of fintech but may be approaching the end of their runways soon. As such, we expect there will be a greater number of down rounds or companies looking to sell their businesses.

Share of up, down, and flat fintech VC rounds



Source: PitchBook • Geography: US and Canada • *As of December 31, 2023

Startups that have not exited by year of last VC round



Source: PitchBook • Geography: US and Canada • *As of December 31, 2023

Interviews with fintech founders

We interviewed over 30 fintech founders, bankers, and investors for this note. The following sections include quotes and key takeaways from those conversations.

What startups look for in an acquisition

We expect more small startup-to-startup acquisitions paid for with stock. However, the number of these deals is unlikely to explode because founders are cautious about whether to acquire. Small-stock-paid acquisitions generate smaller investment banking fees, too, meaning fewer of these deals will be pitched.

The bar is high for startup-to-startup M&A. Founders are extremely discerning because most acquisitions do not deliver expected value. An acquisition can easily cost the acquirer years of time and focus, two of a founder's most valuable assets.

Founders look to M&A for multiple reasons. In our conversations with founders, the most frequently cited reason to do an acquisition was to acquire complementary products that can be cross-sold to customers. But founders cited many more reasons and criteria, including to reduce expenses; to bring in new customers, strong culture and values, robust technology, compatible technology, and minimal tech debt; and to retain core staff if the founder leaves. One founder mentioned that he wanted to see how the two teams interact in person and whether they have the chemistry to build and improve the combined business.

From our more than 30 conversations with founders, we believe that the primary component founders are looking to add via M&A is a complementary product that can be cross-sold to their existing customers. Founders highlighted that the drawbacks of building a product, instead of acquiring it, can be significant. First, building is slower. Second, building has execution risk—it might not work. And third, it draws focus and resources away from the core. For a rapidly growing company, focus should be almost completely on maintaining rapid growth.

Below we share what founders told us they look for in an acquisition:

Don Stalter, Partner at Global Founders Capital: "At the early stages, in addition to best-in-class management, synergies on the product front are highly desirable. In this market, a number of the larger players, such as Deel and Brex, are often on the lookout for tools which will make a marked difference in user experience, functionality, and key business metrics. For example, Deel purchased Legalpad, which seamlessly incorporates work visa processing in Deel's suite of features. Brex purchased Pry, which brought elevated [financial planning & analysis] tooling to the fintech platform. At the later stages, we see meaningful expansion and growth-oriented transactions as well as consolidation. As the cost of capital changes and competition heats up, more strategic M&A will emerge at every stage."

Justin Adams, CEO at Aiwyn: "If there isn't a cultural fit, it's nearly impossible to make an acquisition, as I'm a big believer that culture and values are what scale an organization. The second most important thing to me would be tech and whether the target aligns with our distribution channels. The target would have to be something that isn't on our road map but that plays nicely with our stack. Code and tech must be quality. We've looked at acquisitions where we'd have to redo all the tech, and that doesn't work."

Immad Akhund, CEO and Founder at Mercury: "There are two things I look at for M&A. The first is whether the acquisition target would bring us a lot of users at a good price, but finding this is rare. If we can acquire 10,000+ customers and we're confident we can convert many of them, that would be interesting. The second is specific to us. Mercury is a product-focused company. We build great products, and because of this, it would be difficult to find another company's product and integrate it while maintaining product quality. Talent acquisitions could be useful if there's a team that works well together and is high quality, and it brings us some entrepreneurial people who know how to drive and build new products."

Anonymous founder: "What is the real three-year cost of ownership of this technology? First, tech debt is a big factor. Second, if you buy a company whose technology hasn't been updated in many years, you have to be afraid of losing customers, because switching costs for customers to leave one SaaS provider to their competitor is easier today than before. SaaS is more competitive, and there are multiple providers."

Jacob Miller, Co-Founder at Opto Investments: "You have to assume it will take two to three years to fully integrate an acquisition [...] A target needs to add a significant increase [in] scale and/or efficiency (top line or bottom line), or it needs to bring clients, fast. If we found a potential company that had built trust with a large client base, this could be attractive. I'd almost prefer that they had no technical infrastructure so that we could bring on an existing client base and layer in our own technology. Culture is everything to us. If you have the culture right, and you have the right systems, you can apply those resources to any problem. If you're going to buy a company, you also need to believe that a company will continue operating at force even if their founders leave or some key employees leave. As a result, we would prefer a stock transaction over cash to appropriately structure incentives."

David Rudow, CFO at Cover Genius: "For M&A, we look for a combination of incremental growth and margins, superior technology, a common technology platform, and cultural similarities that enable us to expand our vertical strategy and regional exposures. To keep up with the fast-moving embedded insurtech space, we track and monitor several targets and review them regularly to ensure we have a rich list of prospects to help us execute our long-term plan. In terms of selecting an M&A partner, we need to be very careful to ensure that we can purchase for a reasonable price, integrate, and realize the synergies that we identified during the due diligence process. To support our requirements, our due diligence team is data driven, leverages our deep domain expertise in the insurance space, and thoroughly analyzes all benefits and challenges of any acquisition that we review. In my mind, the ideal acquisition candidate is a company with superior technology that was not managed well from a sales or scale perspective, versus a sales-driven company with lackluster technology. As long as the tech is solid, we can always fix the go-to-market strategy or scale issues. It's more difficult to fix poor technology with a great go-to-market strategy. M&A is littered with many failures, so extensive due diligence and a solid long-term strategy have been critical for our success at Cover Genius."

Mike Desjadon, CEO at Anomaly: "When we think about what we would want in M&A, the first question we ask is whether this activity could accelerate our entrance to a market opportunity, as the barriers to entry in healthcare can be high for startups with a 'traditional' go-to-market approach. We look to see whether we can buy a small-revenue-cycle business with contracts, where we can add our tech to drive immediate new value and short-circuit the sales cycle. Alternatively, if that company has good technology that they can't bring to market but it fits with our vision and architecture, we might be interested in a combination."

Andrew Luong, CEO and Co-Founder at Doorvest: "One element that can accelerate a due diligence process comes from the teams meeting and collaborating. If the teams come together and begin to find common ground, you'd expect more trust amongst the combined teams and therefore smoother diligence and future integration process. The energy that's left in the team is also a big factor, too. Teams should still have lots of energy but should want to find a pairing they believe can take the company to the next level."

Ricardo Pero, CEO at SellersFi: "The main driving factors for us in identifying good acquisitions include the reduction of cost of capital, and/or [the company] offers a complementary product that allows for cross-sell to both customer bases. Lastly, the team and culture are extremely important."

Benjamin Geyerhahn, CEO at Workers Benefit Fund: "We're interested in opportunities that give us access to a new set of customers and whose technology fits with ours. And what would make us more optimistic about an acquisition is a sticky client base."

Robert Mann, CEO and Founder at StandardC: "The biggest positive surprise from any M&A due diligence cycle would be enthusiastic support from customers and growth in customer utilization. Another positive would be a strong focus and success with improving the user experience over time. Red flags in due diligence include customer drop-off rates, and what I call bot support, or not support (i.e., poorly automated customer service and a general lack of focus on supporting the customer)."

Danny Morrow, Co-Founder and Chief Innovation Officer at Extend: "The biggest factor for us is whether an acquisition would bring high-quality technology to Extend—we try to avoid marketing-driven products. Key considerations also include how we would integrate the new product into our platform. Speed to market is relevant in that we would be more likely to acquire if that route is materially quicker than building the technology ourselves. The team is relevant, too—ideally we would want to work with the people at the company. Red flags would include a [profit & loss statement] that is trending in the wrong direction."

Jonathan Lonsdale, Co-Founder and CEO of Ender: "We looked at acquiring a couple of companies, and my engineers came back to me and said, 'It's cheaper to build this ourselves than to acquire this company.' In other words, we'd have to rewrite the acquisition target's entire system, meaning we'd only be acquiring their customers."

Stephen Chen, CEO and Founder at NewRetirement: "Strength of contracts, quality of the people, the technology, cultural fit, and whether the people stick around."

Jin Chang, CEO and Co-Founder at Fieldguide: "We expect more M&A in vertical SaaS businesses that want to add more products to complement the core product. Similarly, we seek to add adjacent products that our customers are already using. Positives during a due diligence process would include a good product with strong recurring revenues and solid growth rates. Speaking to this, we would seek to inflect the target's growth rate by selling that product to our existing customers. On the other hand, red flags would include high churn rates and subpar gross logo retention."

Lee Hansen, CFO and Chief Administrative Officer at Uphold: "We are focused on bolt-on and add-on acquisitions that would add licenses and new geographic regions as well as products and features that we don't have. We look for add-ons that are sub-$50 million. There are a lot of them available, and we expect there to be more. One criterion is for the acquisition to be accretive quickly. Red flags in a due diligence process include signals that they don't know their business well, [and] second, if due diligence contradicts their verbal and written answers."

Who founders want to sell to

In our conversations with founders, the founders overwhelmingly stated that they want independence after being acquired:

Anonymous founder: "Where you sell matters. When I was selling my company, all of my data scientists wanted to go to a top firm, and I wanted to go to a good company myself as well. The cost of retaining the employees is an economic factor that a founder will consider when deciding to whom to sell."

Lew Schulman, CEO at iBUILD Global: "We grow based on the culture we've created, and if you're successful, smart acquirers often won't want to change your culture and trajectory. So in some sense, we would want to go to a company that would like to keep us somewhat independent. To do that, a target needs to show that the market is large enough that they should remain independent in order to continue growing."

Anonymous fintech founder: "We're a [post-Series A] company, and so any exit would need to make our investors money. We'd also want to sell to a company that has a real perspective in what they want to accomplish in the space and views [our company] as a capability to help them accomplish that."

Anonymous fintech executive: "Shareholder value has to be a top priority for us in an exit."

Anonymous fintech executive: "As a tech founder, it's hard to be bought because you're working towards a goal with motivation, autonomy, and a tight-knit team, and when you're bought by a corporate, the startup's energy and autonomy often deflate significantly."

How top companies prepare to be acquired

In our conversations with bankers and M&A attorneys, they shared the best practices of top companies in how they prepare to be acquired. First, revenue, customer reporting, and internal business intelligence are critical in helping suitors develop confidence in the target's strength. Second, "being honest and forthright" came up frequently. Bankers noted that a withheld lawsuit or data breach that is surfaced late in a deal can put the transaction at risk. Communicate these early. Communicating one's story and strengths was a frequent theme. And last, founders in the market to acquire other startups value customer strength, enduring culture (especially postacquisition), and technological compatibility between the acquirer and target. We highlight these best practices below.

Andrew Luh, Partner at Gunderson Dettmer: "Our advice for VC-backed startups considering selling themselves is to establish a strong finance function once it makes commercial sense (e.g., sales are scaling up meaningfully) because it will help acquirers develop confidence in your numbers. Additionally, be forthright about your company's positives and negatives. If you've experienced a bad event, such as litigation or a data breach, share that at the beginning. Disclosing these events early can prevent an acquirer from getting cold feet about the deal later and/or renegotiating deal terms."

Alec Ellison, Global Head of FinTech at Houlihan Lokey: "Understand what your sustainable competitive advantage is, learn to communicate it, and emphasize those strengths in conversations with buyers. Conversely, avoid being cocky by being candid about the challenges your business faces. Share these early on. Humility sells better than arrogance. And last, accept today's new valuation paradigm and that we're not returning to 2021's valuations."

Chad Harding, Managing Partner at PEAK Technology Partners: "If you're moving towards a sale, to maintain a degree of leverage in the process, initiate a sale long before you come close to the end of your runway. Additionally, acquirers are disinterested in paying high valuations for companies burning significant amounts of cash. Buyers now emphasize both growth, margins, and quality revenue retention. They also want to see more than one or two quarters of improvement in these metrics. A year or more of improving profitability and revenue metrics are strong signals."

Patrick Vaughn, Managing Director at Morgan Partners LLC: "Plan well in advance of pursuing a sale of your company, and consult with an M&A professional or other trusted source about the key metrics that will determine valuation. Some metrics are less obvious and can be a barrier to a sale, and you may need time to reduce or eliminate these obstacles. It is also important to continue managing the company as if it is not for sale; otherwise, you could pursue short-term initiatives that are not always consistent with building long-term value."

M&A calculus for large incumbent financial institutions

We believe that large corporate acquisitions are driven partly by confidence in the future. The thought of making an expensive acquisition ahead of a pending recession is nauseating for most executives. We think this is why M&A was so low in 2022 and 2023. Until recently, the economic consensus called for a recession (an inverted yield curve is usually an accurate recession indicator), which has held back corporate M&A. Decelerating corporate revenue (and the need to focus on expenses and only essential initiatives) gave corporate leaders another reason to abstain. And optically, it is hard to make acquisitions and layoffs at the same time. However, the economy is now doing well. An economic soft landing would begin to shift the psyches of the C-suite from austerity to M&A. Additionally, a few years of this would increase the "fear of missing out" that often accelerates the number and size of acquisitions. Frequent acquirers are likely to continue acquiring, including Capital One, J.P. Morgan, Visa, Mastercard, Fifth Third Bank, KeyBank, Fiserv, and FIS.

Anonymous fintech founder: "Buying a target for $5 million, $10 million, or $50 million doesn't make a big difference to a corporate because they have so much money. Rather, the corporate often wants to partner first in order to kick the tires on whether to buy at all."

Nigel Morris, CEO and Co-Founder of QED Investors: "Banks are now anticipating a soft landing, which is influencing them to consider restarting the fintech acquisition engine. It's very early in the process, though. At QED we believe that banks who are likely to acquire and partner are those who have done so in the past: Capital One, J.P. Morgan, Fifth Third, KeyBank, and to some extent, Ally."

Ultimately, banks have assets that fintech companies want and need, such as FDIC insurance, investment capital, distribution, know your customer (KYC), anti-money laundering (AML), and compliance capability. On the other hand, fintech companies have innovation, high net promoter scores, and the ability to evolve quickly. Over the past three years, many banks have come to accept that they will need to partner with fintech companies to offer the best products and services to their customers.

However, banks' M&A and partnerships teams are typically separate groups, and thus partnerships lead to less M&A than one would expect. Furthermore, traditional banks are often hesitant to acquire expensive fintech companies because they are cautious about the earnings dilution inherent in acquiring a large, not-yet-profitable fintech company.

Stephen Chen, CEO and Founder at NewRetirement: "Incumbents make so much money that they will look to acquire new infrastructure that does what they do but with a much cheaper and better product."

Anonymous fintech founder: "You'll start to see more payments companies buying software companies to embed their payments process into the software company and make them more valuable. Global Payments has done this well because they continued to invest in their newly acquired software companies after buying them. You can't let the acquisition languish. Fullsteam, a PE investor out of [Alabama], does this frequently. Overall, software companies layering in payments, and vice versa, is a theme that creates more buyers for payments companies."

Max Liebeskind, Senior Investment Associate at Nyca Partners: "[The] top 10 to 20 banks will be most acquisitive [of fintech companies], and some midsized banks will acquire in the SMB space. Certain neobanks might find a home in a midsized bank given that digital banks often have a strong customer acquisition engine."

John Lunn, CEO at Gr4vy: "At present it feels like big incumbents are not in the mood to acquire even if there's value. I expect this to change this year as more startups run out of money and put themselves up for sale. Buyers just seem to be waiting a little longer before they go shopping. Large acquisition decisions will incorporate the target's burn profile because public incumbents typically avoid significant earnings dilution—investors usually dislike material earnings-per-share reductions. The other big factor is quality of revenue (i.e., is revenue contracted? What is the renewal rate/upsell potential, and what is margin potential?)."

Views on fintech M&A in 2024 and 2025

Overall, many stakeholders believe there could be more M&A activity in 2024 than in the prior year. However, macroeconomic factors such as interest rates, inflation levels, and geopolitical tensions will continue to dictate the number of deals that will be seen. Some experts believe a substantial uptick in acquisitions will not occur until 2025 and beyond; however, some stakeholders we spoke to also noted some positive signals of M&A becoming more active:

Don Stalter, Partner at Global Founders Capital: "In 2024, we think shifts in financing and elevated optimism among senior management teams will lead to an aggressive tact vis-à-vis both low-runway early-stage startups as well as select best-in-class companies in order to get ahead of the curve on a potentially even higher-priced market. 2025 will be formative in so many ways—as a post-election year and with continued maturity in artificial intelligence. A roster of large vertical and horizontal mergers are already being contemplated, and negotiations may kick off in 2024 and extend out—but barring any further black swans, 2025 has blockbuster potential."

Andrew Luh, Partner at Gunderson Dettmer: "General M&A in 2023 has been slower than expected partly because Big Tech is facing two headwinds. First, the regulatory environment remains unfriendly to many serial tech buyers. Second, those same buyers have been in cost-cutting mode, which makes doing big acquisitions feel less appropriate due to internal optics. We don't expect a dramatic rebound in 2024 because these factors will still be largely at play. However, M&A activity in the AI space is likely to scale upward."

Greg Mendelson, Head of East Coast Technology and Head of FinTech at J.P. Morgan: "We expect a moderate pickup in acquisition activity this year, but not a substantial one. There were several factors that led to a slower M&A environment in 2023, and many of those continue to exist today. A wide gap in valuations and a heightened rate environment made it difficult to price new deals and left many buyers waiting on the sidelines. Meeting the demands of PE investment committees was a challenging task, making it difficult to see deals through to completion. The gap between buyers and sellers is now getting closer but is not where it needs to be for a significant number of deals to get done. There is a fundamental mismatch right now with more sellers than strategic buyers, though sponsors are becoming more keen to looking at deals. Activity will probably continue on an upward trajectory towards a bigger bounceback in 2025 or 2026."

Frank Medrano, Co-Head of Payments Banking and Industry Executive at J.P. Morgan: "The higher-interest-rate environment is now stabilizing, and there may be a possibility of rate cuts this year. This will act as a tailwind for many valuations and may help alleviate the deal paralysis caused by the fear of down rounds, putting more options back on the table. We expect to see more consolidation in the vertical software, integrated payments, and office of the CFO segments. There are many interesting companies in these spaces that are high in quality and have significant total addressable markets. Many companies in this space are also having build-or-buy conversations as they look to further monetize payment revenue streams and optimize user experience."

Patrick Vaughn, Managing Director at Morgan Partners LLC: "Separately, on the macro environment, interest rates will have a significant influence on the amount of M&A. Lower rates and good economic conditions would be a positive for M&A activity, as it would improve the economics for buyout funds."

Alec Ellison, Global Head of FinTech at Houlihan Lokey: "In the end of 2023, we saw significantly higher pitch activity. One clear reason is that equity markets have rebounded, and sellers now feel like they're not selling at the bottom. Multiples are also settling, which typically helps buyers and sellers meet on pricing. Settled multiples also helps buyers gain comfort they're not trying to catch a falling knife. Overall, more deals will get done if buyers and sellers view pricing and valuation similarly, regardless of the market."

Paul Fricilone, Managing Director at Raymond James: "As we assess the fintech M&A landscape, we expect a notable shift from the slower pace of 2023 to a more active market in 2024. Despite the possibility of constrained M&A supply, the overall deal market is anticipated to improve. The flight to quality assets demonstrating the rule of 40 is expected to persist, resulting in premium multiples for companies showcasing resilience and sustained growth. Notably, companies with strong gross and net retention metrics will likely emerge as particularly attractive targets, further enhancing their appeal in this competitive landscape."

Ben Borodach, CEO and Co-Founder at April: "When you have uncertainty, you get inaction, yet certainty is increasing with strong GDP/employment figures and improving valuations. In 2024, I expect many fintechs to look to exit to strategics which need M&A to refresh the rate of innovation. We note that M&A in fintech is complemented when you have technology and software coupled with regulated assets such as banks. Expect to see the fusion of chartered banks with [banking-as-a-service] software."

Nelson Chu, CEO and Founder at Percent: "We're in a world of haves and have-nots. VCs do have dry powder, but they are deploying selectively. If you're an AI founder, you can raise (although even that seems to be changing as well), but if you're not, your numbers have to be stellar to raise capital at a reasonable valuation. You see this in full effect unfortunately at some highly valued firms that are shutting down because their numbers just aren't there and they couldn't live up to their prior round's valuation. We also expect acqui-hires and acquisitions to continue this year, which are valuing the target's cash more than the IP and they get sold to the acquirer for stock. This is happening in particular with a lot of good early-stage companies that are up for grabs because they didn't reach product-market fit or they created more of a feature than a product. Still, M&A is tricky as it oftentimes sounds better in theory than in practice if the integrations aren't as simple as anticipated or the synergies become less clear postclose, especially if it was a fire sale."

Adam Posner and Rodrigo Castro at LL Funds: Posner and Castro said that founders' valuation expectations were still disconnected from the market clearing price in 2023, but seller expectations are now moving closer to market. They think that a lot of good IP will be acquired for cents on the dollar by larger companies—for example, a lender that buys an analytics platform. They also expect the next credit cycle to create failed lenders that sell to medium and large players who will get stronger.

Ned Daoro, Managing Director at Clocktower Technology Ventures: "Bid-ask spreads have been too wide in startup-to-startup M&A, mostly due to resistant sellers. The availability of insider capital has allowed many startups to continue operating without truly testing fundraising markets. As insider capital continually declines through cycle and companies are unable to secure third-party capital, founders and boards will finally be forced to seek strategic exits. Fintech scale-ups will be beneficiaries, as they can use inflated equity prices as deal currency to facilitate trades with high sticker prices but at relatively low cash and dilution costs. These tuck-in acquisitions will primarily be used to add talent and accelerate road maps, with the most active players likely in B2B categories such as challenger banks, B2B payments, and HR/payroll."

Survey results

We surveyed several fintech founders to solicit their opinions on M&A. The majority were founders of startups operating in the lending, payments, wealthtech, and financial services infrastructure segments. 46% of participants reported operating with a B2B2C model—the highest response—followed by 31% for B2B and 31% for B2B2B. Just 23% of participants reported operating a B2C model. These business models were not mutually exclusive, so a respondent could report operating both a B2B and a B2B2C model, for example. Responses to our survey were recorded in December 2023 and have been edited for clarity where needed.

What is the largest acquisition in your space in the last two years, and what is your opinion of whether it will "deliver" for the acquirer? We define "deliver" as the acquirer generating significantly more value than the purchase price.

"Acorns and Pillar; Pillar was shut down, so it did not provide any value by the sound of it."

"Rocket Money acquired Truebill for $1.2 billion."

"New area so limited data. Only example [is] acquisition by Mangopay. I am unsure of a payment orchestrator being valuable when part of a single acquirer."

"Goldman Sachs' acquisition of NextCapital. Definitely will deliver for the acquirer."

"Upgrade's acquisition of BNPL provider Uplift for $100M gave Upgrade instant access to 3.3M active users, more than doubling their reach."

"Credit Karma by Intuit. It will be hard for Intuit to monetize it well. Now that they are closing Mint, they don't have a dedicated consumer brand (TurboTax is more account led)."

"EngageSmart's acquisition by Vista. Classic PE play and financially, versus strategically, driven."

"Yieldstreet buying Cadre."

"White Clarke Group was acquired by Thoma Bravo in 2021. This is part of a roll-up strategy where Thoma Bravo consolidated three different asset-based lending businesses into Solifi to create [a] platform that could support nearly any type of asset-backed lending product. It was a very strategic play that we believe will create differentiated value proposition given the combined entity opens new business opportunities across the various existing clients to upsell additional products."

"Divvy to Bill.com for $2.5B. I don't believe it will ever deliver on that value. At 50 bps interchange revenue, there would need to be $0.5 trillion in charge volume to break even. That is ~25% of the total commercial card market in the US. Certain corporate spend and expense management platforms are massively overvalued and due for a major correction."

If you were to acquire a company to strengthen your firm, what specific company, or what kinds of products/services, would be most interesting to you, and why?

"Distribution partnerships."

"Expanding road map, specifically different forms of financial health, including budgeting and different responsible lending applications."

"Back-end reconciliation company, as this is a long process that has taken others up to eight years to get any market coverage."

"Workplace Financial Wellness, including spend-down modeling."

"Lending infrastructure competitors in other geographies."

"Embedded e-commerce provider."

"We would look to acquire a small bank where we could begin offering a broader set of banking services to the dealers and [original equipment manufacturers] that we work with."

"Compliance-efficient custodian or advisor platforms."

"A traditional [managing general agent] with specialty programs and an agency distribution network that we can digitize, move to our platform, and grow more rapidly."

"Consumer behavior focused."

"Fraud/risk tools; [independent sales organizations] that have sales in verticals we are interested in expanding in."

"Two avenues we are exploring: complementary/parallel product capabilities (we are AR, [so] maybe we add AP or 'component' products that enhance our platform) or [go-to-market] acceleration (complementary business with strong footprint in a market/segment we want to more aggressively pursue/upsell into)."

"We would look to acquire a company to accelerate our road map, which at the moment is focused on bringing Expense Management features for SMB to our virtual card distribution platform."

If at all, how has the current funding environment impacted your willingness to sell your company in an acquisition?

"The current funding environment has made us want to sell."

"Somewhat. In the last five years (not just 2021) it's been much easier to raise than get sold. The amount of work needed to be sold for a large company in startup land, with $100 million-plus revenue, has reduced, thus making a sale more compelling, and with a closed IPO market, more interesting."

"As we have decent runway, acquisition is not an immediate concern, so [we] have not really changed our willingness."

"M&A scenarios not under consideration."

"The current funding environment has had no impact."

"It has significantly influenced our willingness."

"It has increased our willingness to sell."

"Made it more likely. We are cash flow positive for the first time this year, so we can wait, but that also makes us more attractive for acquisition in this space."

"Not important. Distribution matters more."

"We are patient and continue to build the business."

"The funding environment—not at all. But the overall market and how companies are being valued (using public company [comparables])—a lot. We can wait it out until more favorable valuations return."

"Most M&A seems to be around picking up the pieces of failed companies. This means we are holding off."

If you've considered selling your company recently, what questions would you have for other fintech founders who have sold their companies?

"How did they value their business?"

"Full sale or earnout?"

"How are they thinking about different postacquisition operating frameworks (i.e., operating as independent brand that is wholly owned by acquirer, being rolled into acquirer's product portfolio and losing their brand, selling company and moving on, selling company and being locked into working at acquirer for extended period of time)?"

"How did you negotiate sale price?"

"When did you know it was the right time? How to market your company?"

"Help on picking the buyer if there is more than one, help in picking the banker [...] and things they would have done differently?"

"Earnout? How to protect the team. Best structure within the new company to realize values. How long did you stick around?"

What is your current view on raising a down round with a significantly lower valuation (say, down 20% to 90% from the prior valuation)?

"Strongly negative."

"Only if forced, as it's very bad for founders and staff retention."

"Only if required for cash flows or with a solid strategic investor who brings additional revenues."

"To be done if market conditions don't improve."

"Down rounds are overhyped in this cycle. If a company has solid unit economics, growth, and [total addressable market], the lower valuation is just a bump on the road to success."

"20% would be doable. 50% or more, probably better off selling."

"It would be a difficult pill to swallow but if necessary, you do what you got to do."

"We are cash flow positive and EBITDA positive, so no."

"Not opposed to it, but unlikely to need it."

"We won't do a down round."

"Absolutely not."

"Many companies were well overvalued, having raised too much in 2021. A down round makes sense there. But other companies are getting caught up in the 'general sentiment' despite having good outcomes."

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Additional resources

Q1 2024 PitchBook Analyst Note: Fintech: State of the Industry

Q4 2023 Fintech & Payments Public Comp Sheet and Valuation Guide

Q4 2023 Enterprise Fintech Report

Q3 2023 Retail Fintech Report

Appendix

Enterprise fintech segmentation definitions

Alternative lending

Subsegment	Definition
Commercial lending	Loans provided to businesses, including term loans, revolving loans, and working capital financing.
Microlending	Small loans provided to businesses that are frequently issued in developing countries or through P2P lending models.
Real estate lending	Loans to businesses that are collateralized by residential or commercial real estate, including mortgages, commercial real estate loans, rent-to-own financing, and various new real estate financing models.
Marketplace lending	Loans to businesses obtained through P2P lending platforms connecting borrowers with investors.
Underwriting & credit scoring	Technologies that automate loan underwriting and new credit-scoring methodologies to assess the risk of a borrower.

Capital markets

Subsegment	Definition
Alternative capital	Platforms and services that enable the access, issuance, and management of capital and credit from nontraditional sources, including capitalization table management software, crowdfunding platforms, and SaaS securitization.
Infrastructure	Companies using blockchain, APIs, and other integration technologies to streamline the flow of funds within the capital markets, including speeding up settlements, increasing transaction security, and simplifying primary issuances.
Data & analytics	Applications that allow capital market participants to access and understand trade-related data, including equities, fixed-income, derivatives, commodities, and currencies, as well as financial data relating to companies and industries.
Trading	Platforms and exchanges that facilitate the transactions of various assets, including securities, commodities, and currencies.

CFO stack

Subsegment	Definition
Payroll & earned wage access	Companies that help corporations automate payroll processes such as onboarding, processing, and paying, as well as enable flexible and on-demand payment options for employees.
Expense management & AP/AR automation	Software and platforms that help manage and automate the spending, tracking, approval, and management of corporate spending, invoices, accounts payables, and accounts receivables.
Budgeting & forecasting	Technologies that assist companies, FP&A, and financial operations teams with tracking and storing financial data, budgeting and forecasting corporate financial statements, and optimizing cloud costs.
Accounting, tax & compliance	Platforms and technologies that help automate accounting processes, tax documentation, and auditing procedures and/or enable corporations to stay in compliance with accounting and tax regulations.

Commercial finance

Subsegment	Definition
Digital banking	Also known as neobanks or challenger banks. SMB banking services delivered wholly online or via a mobile application.
Nondilutive financing	Companies that enable businesses to acquire capital without forfeiting equity, which is typically done through revenue-based financing, invoice factoring, SaaS financing, and enterprise-specific BNPL models.

Enterprise fintech segmentation definitions (continued)

Financial services infrastructure

Subsegment	Definition
Enterprise architecture	Startups helping financial institutions upgrade and manage their tech stacks, including core banking and middleware, whose legacy systems may face issues adopting new applications that are necessary for changing business, economic, and regulatory environments.
Platforms & APIs	Applications that typically connect nonbank providers with banks, credit unions, and other financial institutions to offer banking services to end customers or access financial data. Some of these fintech companies also provide direct workflow software or white-label applications to banks.

Payments

Subsegment	Definition
B2B payments	Services that facilitate transactions between businesses and ACH, wire transfers, and new digitized alternative forms of traditional paper checks and cash.
Cross-border & FX	Companies that facilitate cross-border transactions, including currency exchange services that allow businesses to settle with local currencies.
Payment platforms & POS	Payment-accepting services including payment processing software and APIs, online gateways, physical card terminals, and omnichannel payments.

Regtech

Subsegment	Definition
Crime surveillance & fraud detection	Companies that provide software applications and services that help prevent firms' loss of capital due to theft, scams, and fraud.
Regulatory affairs & compliance	Companies that utilize automation to assist financial institutions in matters regarding local, state, and federal regulators and other regulatory bodies. This includes KYC, AML, and/or compliance reporting.
Risk management	Companies that identify, evaluate, and prioritize financial risks such as market, credit, volatility, liquidity, or legal risks.

Wealthtech

Subsegment	Definition
Advisortech	Technologies that help registered investment advisors, financial planners, wealth managers, and independent broker-dealers enhance service to clients, including via personal advice, faster response times, easier client onboarding, and access to new asset classes.
Investment tools & platforms	Services that allow businesses to better manage their savings and assets, which include access to financial data and information, research, educational resources, and other investment tools.
Retirement planning	Companies that help provide and establish retirement plans offered by businesses and organizations.

Retail fintech segmentation definitions

Alternative lending

Subsegment	Definition
Retail & marketplace lending	Personal, auto, student, and other term loans provided to retail customers, as well as crowdfunding and P2P lending platforms.
Real estate lending	Loans provided to retail customers that are collateralized by residential or commercial real estate, including mortgages, commercial real estate loans, rent-to-own financing, and various new real estate financing models.
Microlending	Small loans provided to consumers that are frequently issued in developing countries and through P2P lending models.

Credit & banking

Subsegment	Definition
Digital banking	Also known as neobanks or challenger banks. Retail banking services delivered wholly online or via a mobile application.
Credit & BNPL	Includes revolving credit products such as credit cards, lines of credit, POS lending services, and BNPL.

Consumer payments

Subsegment	Definition
Debit & P2P	Companies that issue debit products, as well as those enabling P2P transactions, remittances, and other noncommercial transfers of money.
Wallets & super apps	Mobile applications that aggregate financial services and include marketplaces for ancillary services and offerings.
Loyalty & rewards	Services that provide incentives to customers for shopping at partnered merchants, typically integrated with POS systems or customer payment cards.

Wealthtech

Subsegment	Definition
Alternative investments	Investment platforms that allow retail customers to invest in real estate, PE, hedge funds, art, and other assets traditionally available only to institutional and accredited investors.
Brokerage	Companies that offer trading products such as stocks, bonds, and options to retail customers through self-directed online trading platforms and mobile apps.
Digital advisory	Includes investment technologies such as robo-advisors and other automated, algorithm-driven financial planning and investment services.
Investment tools & platforms	Services that allow investors to better manage their savings and assets, including access to financial data and information, research, educational resources, and other investment tools.
Personal financial management	Consists primarily of applications that help consumers budget, understand spending, reduce debt, or find suitable financial products.
Retirement planning	Companies that help customers establish a retirement plan by setting financial goals, risk tolerance, and investment strategies.