



 EMERGING TECH RESEARCH

# Retail Fintech Report

VC trends and emerging opportunities

**Q3**  
2022

## REPORT PREVIEW

The full report is available through the PitchBook Platform.





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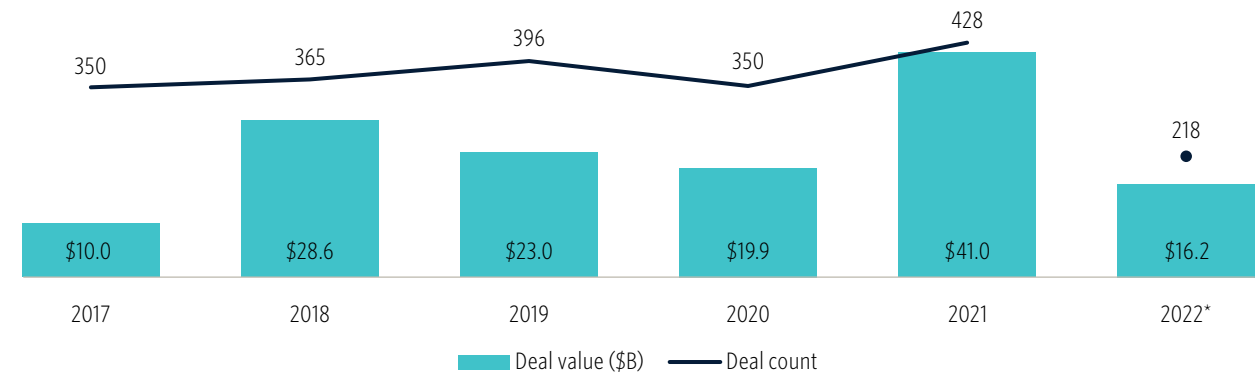
# Retail fintech VC activity

Venture capitalists invested a record \$41.0 billion into the retail fintech vertical in 2021, representing a 78.6% increase compared with 2019's \$23.0 billion. VC investments into the banking and credit and wealthtech segments drove this increase. As of Q3 2022, VC deal value hit \$16.2 billion, representing a 47.6% YoY decline. Notably, VC deal value within the credit and banking segment fell by 48.4% YoY to \$6.5 billion at the end of Q3. On a QoQ basis, VC deal value fell by 39.8% in Q3 2022, the largest QoQ decline seen so far this year.

## Notable fintech deals include:

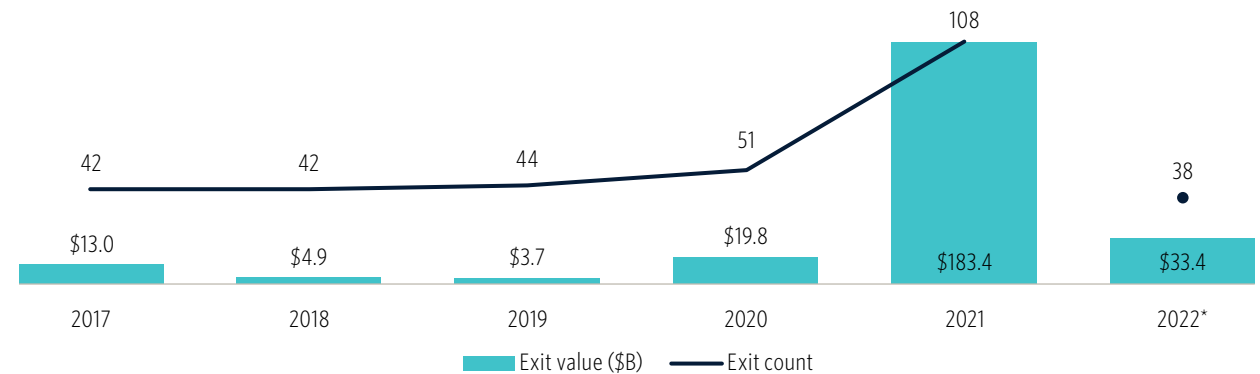
- Gojek, an Indonesia-based super app, which raised \$1.3 billion in a late-stage deal ahead of its IPO, initially projected to value the company at \$28.0 billion
- Trade Republic, a retail trading platform, which raised a \$1.2 billion Series C at a \$5.3 billion post-money valuation
- N26, a Germany-based neobank, which raised a \$900.0 million Series C at a \$9.0 billion post-money valuation.
- Better, an online mortgage lender, which raised a \$750.0 million Series F at a \$6.9 billion post-money valuation
- Klarna, a BNPL platform, which raised an \$800.0 million late-stage round at a \$6.7 billion post-money valuation

## Retail fintech VC deal activity



Source: PitchBook | Geography: Global | \*As of September 30, 2022

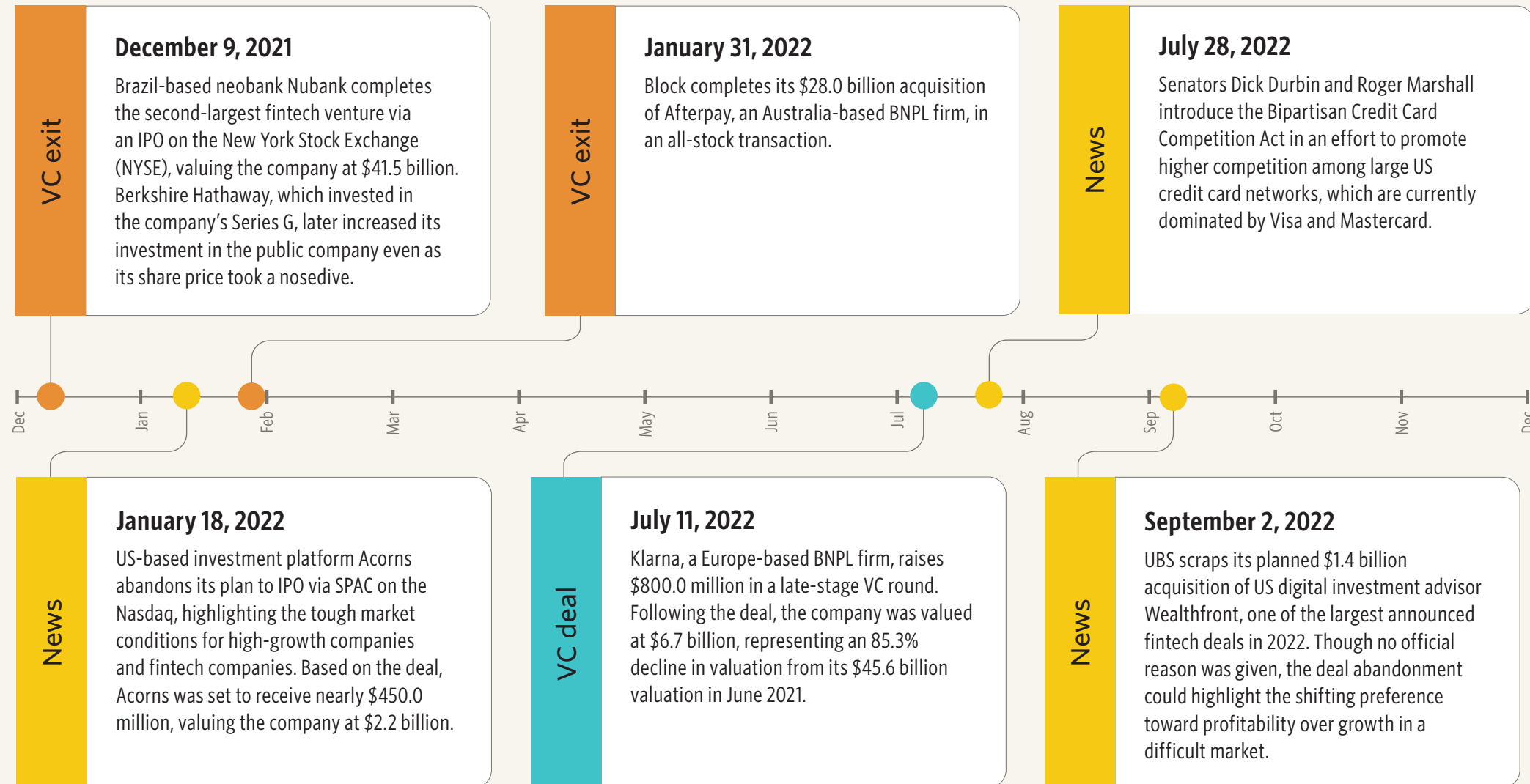
## Retail fintech VC exit activity



Source: PitchBook | Geography: Global | \*As of September 30, 2022



# Q4 2021 to Q3 2022 timeline



## Q3 VC deal count summary

**52**  
total deals

**-23.5%**  
QoQ growth

**-26.0%**  
YoY growth

## Q3 VC deal value summary

**\$3.6B**  
total deal value

**-39.8%**  
QoQ growth

**-24.8%**  
YoY growth



# Retail fintech landscape

- 1 Alternative lending
- 2 Credit and banking
- 3 Consumer payments
- 4 Wealthtech



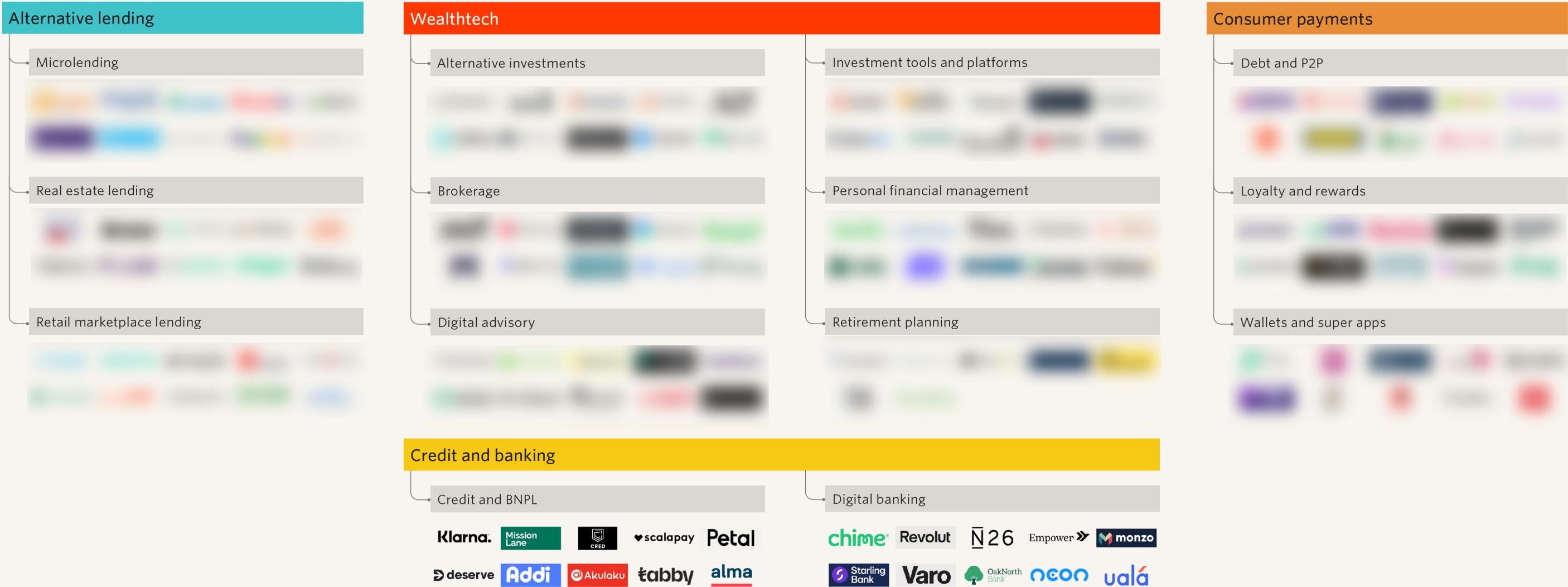




# Retail fintech VC ecosystem market map



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





# Credit and banking

## Overview

The credit and banking segment includes companies that offer credit and banking services to consumers. These products and services can be tailored to the needs of individual consumers and include checking and savings accounts, debit cards, credit cards, lines of credit, and other POS credit products such as BNPL. We include startups that develop new consumer credit products and services, such as BNPL, in this segment as we believe they have the potential to disrupt traditional credit card models, thus affecting incumbent banks. Companies in this segment often differentiate themselves by focusing on distinct customer demographics and by providing personalized offerings. In recent years, credit and banking companies have garnered a substantial amount of attention from investors, as these firms are notably reshaping how consumers spend and interact with their banks. In addition, these companies typically cater to a wider range of individuals than incumbents do, thus enabling greater financial inclusion among consumers.

Over the last several years, neobanks, also referred to as digital banks or challenger banks, have become increasingly popular among consumers. Based on our estimates, neobanks have over 200 million customers around the world. Unlike incumbent retail banks, neobanks do not operate physical branches and thus offer banking services through websites or apps. Often, this results in financial services that are more convenient, faster, and more accessible than those provided by traditional banks. Additionally, the lack of physical locations allows for lower operating costs, which are in turn passed on to consumers. The concept of BNPL has also recently gained popularity, with companies such as Klarna, Afterpay, and Affirm enabling consumers to pay for products in installments and often without being subject to credit card or interest fees. This model is a viable alternative to credit cards and has become increasingly prevalent with the growth of e-commerce.

The credit and banking space includes the following subsegments:

- **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

## Industry drivers

- **Digital adoption:** The continued migration of personal financial services to online and mobile is changing how consumers spend, borrow, and save money, and this is creating an opportunity for new providers to gain market share. New banking infrastructure and business models have enabled these services, thus decreasing development costs and increasing speed to market.
- **Demographic shift:** Relative to older generations, younger generations are less likely to select banks based on physical locations, which puts digital-only banks on a more even playing field when it comes to new customer acquisition.
- **Reverberations of the GFC:** We believe the impacts of the GFC are still being felt today, as some consumers lost trust in large incumbent banks and are now more willing to use alternative financial services.



CREDIT AND BANKING

Key credit and banking VC deals over the past year\*

Company	Close date	Subsegment	Stage	Deal value (\$M)	Lead investor(s)	Valuation step-up
Nubank	May 18, 2021	Digital banking	Series G	\$1,150.0	Berkshire Hathaway, Dragoneer Investment Group, GIC (Singapore), Invesco, Sands Capital, Whale Rock Capital Management	N/A
Chime	September 10, 2021	Digital banking	Series G	\$1,105.0	Sequoia Capital	1.6x
N26	October 17, 2021	Digital banking	Series E	\$900.0	Coatue Management, Third Point Ventures	2.3x
Revolut	July 15, 2021	Digital banking	Series E	\$836.1	SoftBank Investment Advisers, Tiger Global Management	6.2x
Klarna	July 11, 2022	Credit and BNPL	N/A	\$800.0	N/A	0.1x
Scalapay	May 3, 2022	Credit and BNPL	Series B	\$692.0	Tencent Holdings, Willoughby Capital	1.7x
Klarna	June 10, 2021	Credit and BNPL	Series H	\$639.0	SoftBank Investment Advisers	N/A
Monzo	December 20, 2021	Digital banking	N/A	\$598.3	Abu Dhabi Growth Fund	2.3x
Varo	September 1, 2021	Digital banking	Series E	\$510.0	N/A	N/A
Mission Lane	October 26, 2021	Credit and BNPL	N/A	\$470.0	Oaktree Capital Management	N/A

Source: PitchBook | Geography: Global | \*As of September 30, 2022





CREDIT AND BANKING

Key credit and banking VC exits over the past year\*

Company	Close date	Subsegment	Exit value (\$M)	Exit type	Acquirers/index	Valuation step-up
Nubank	December 9, 2021	Digital banking	\$38,875.8	IPO	NYSE	1.3x
Dave	January 4, 2022	Digital banking	\$3,536.0	Reverse merger	VPC Impact Acquisition Holdings III	3.5x
Paidy	October 1, 2021	Credit and BNPL	\$2,700.0	M&A	PayPal Holdings	8.8x
Aspiration	December 15, 2021	Digital banking	\$1,841.3	Reverse merger	InterPrivate III Financial Partners	0.9x
Digit	December 22, 2021	Digital banking	\$205.3	M&A	Oportun	0.7x
Jaja Finance	November 3, 2021	Credit and BNPL	\$164.3	Buyout/LBO	Kohlberg Kravis Roberts, TDR Capital	N/A
Spotii	October 18, 2021	Credit and BNPL	\$16.0	M&A	Zip Co	N/A
Finin	December 14, 2021	Digital banking	\$10.0	M&A	Open Financial Technologies	6.1x
Tandem	January 1, 2022	Digital banking	N/A	Buyout/LBO	Pollen Street Capital	N/A
Rely	March 30, 2022	Credit and BNPL	N/A	M&A	Pace Enterprise	N/A

Source: PitchBook | Geography: Global | \*As of September 30, 2022

# About PitchBook Emerging Tech Research

## Independent, objective and timely market intel

As the private markets continue to grow in complexity and competition, it's essential for investors to understand the industries, sectors and companies driving the asset class.

Our Emerging Tech Research provides detailed analysis of nascent tech sectors so you can better navigate the changing markets you operate in—and pursue new opportunities with confidence.

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