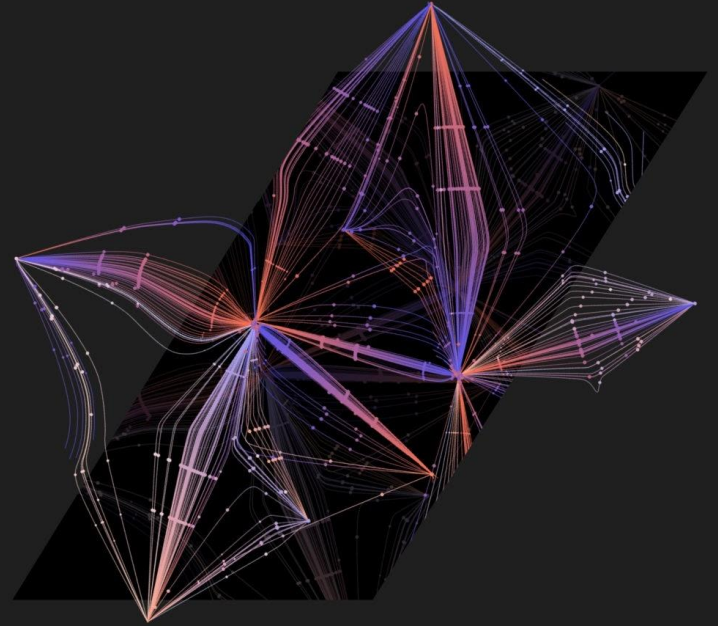


F/PRIME

State of Fintech

2024



State of Fintech Team



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Learn more about F-Prime Capital:  

Visit the [F-Prime Fintech Index](#) for more data

Email fintechindex@fprimecapital.com

Discussion: February 27th, 2024 at 1pm ET

[Register Now](#)



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Summary

Fintech in 2023: reg on, risk off

- The overall climate for fintech in 2023 was “**reg on, risk off**” with **heightened scrutiny, rulemaking, and enforcement by regulators**.
- In 2023, **public fintech companies found stability and many sectors started to recover** as they emphasized capital-efficient growth. Sub-sector **multiples were up 30% on average**, with lending & WAM leading the way.
- **The public market correction is still rippling through private markets** with fewer rounds, longer time between fundraises, and a high probability of significant shutdowns in 2024 and 2025.
- The **F-Prime Fintech Index was up 114%** in 2023. However, it is **60% off the 2021 peak**.
 - Aggregate market cap reached \$573B by year-end, up from a \$389B trough (but down from a \$1.3T peak in 2021)
 - There were no new additions to the Fintech Index, but there were six delistings: one buyout and five companies removed based on our index criteria.

The big picture

- Ten years in, **it's becoming clear where fintech startups have disrupted** (e.g., software-based payments), **been embraced** (e.g., mobile banking), **been outmaneuvered or outlasted** (e.g., robo-advisors), and where **impact of innovations are yet to be seen** (e.g., generative AI).
- In aggregate, fintech companies have **captured <10% of financial services revenue**, yet many **scaled private fintech companies are generating \$1B+ revenue, still growing rapidly**, and expected to **list in public markets**.

We are optimistic as ever on the future of fintech - if you are building or investing here, let's connect!



2023 was the year of “*regulation on, risk off*” with heightened scrutiny, rulemaking, and enforcement by regulators

Banking

- **OCC scrutinized BaaS** and chartered bank relationships
- **CFPB** proposed **rules** to enshrine **open data**, limit overdraft fees, and eliminate some NSF fees

Crypto

- **E.U.** released detailed **regulatory frameworks**
- **U.S. SEC** continued “regulation” via **litigation**, and **approved Bitcoin ETFs**

Lending

- **OCC** focused on **BNPL** requirements around risk management, disclosure guidelines, and borrower safeguards
- Three states **passed Early Wage Access legislation**, with 10 more considering it

Payments

- **Federal Reserve** considering debit interchange **reduction**
- Under regulatory pressure, **Zelle preemptively reimbursed** consumers for fraudulent transactions

Proptech

- Landmark **federal** ruling on **real estate broker commissions**

Wealth management

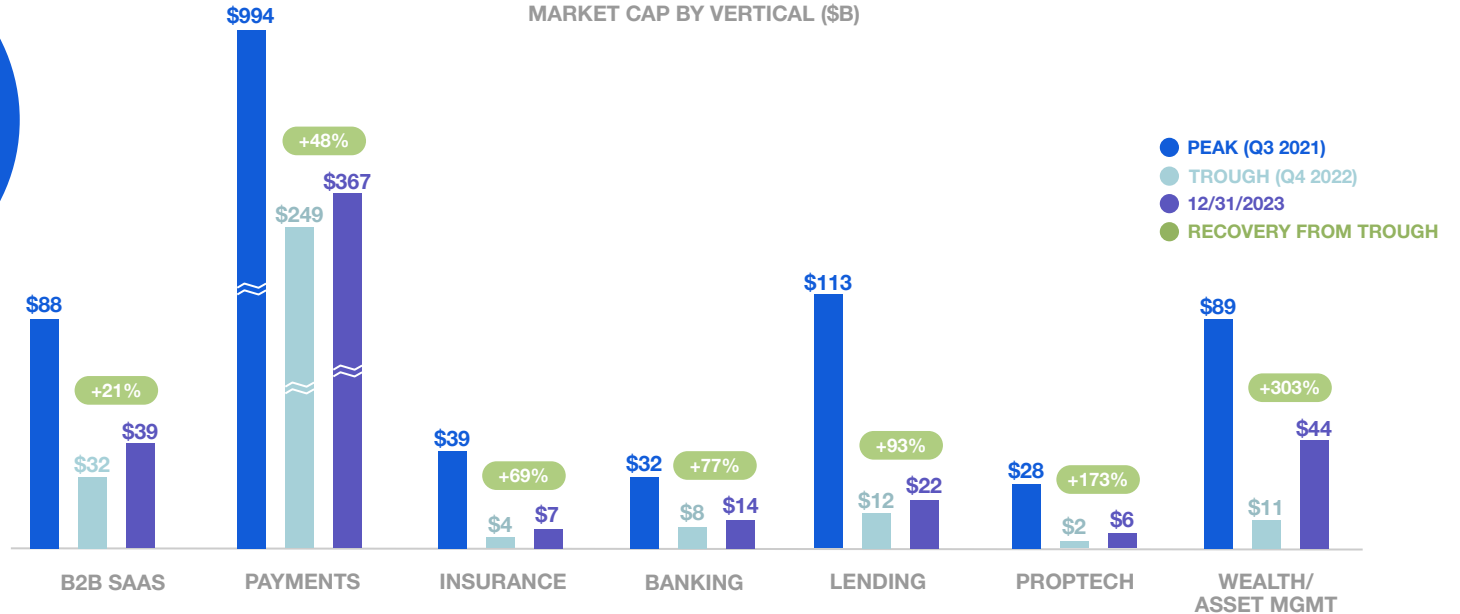
- **SEC** requires more **disclosures** from **private fund** managers
- **Dept. of Labor** **scrutinizes** inclusion of **crypto** in retirement products

The public fintech correction found its floor and began to recover in 2023

In September 2021 the F-Prime Fintech Index had a **\$1.3 trillion** market cap

Market cap at trough was **\$389B**

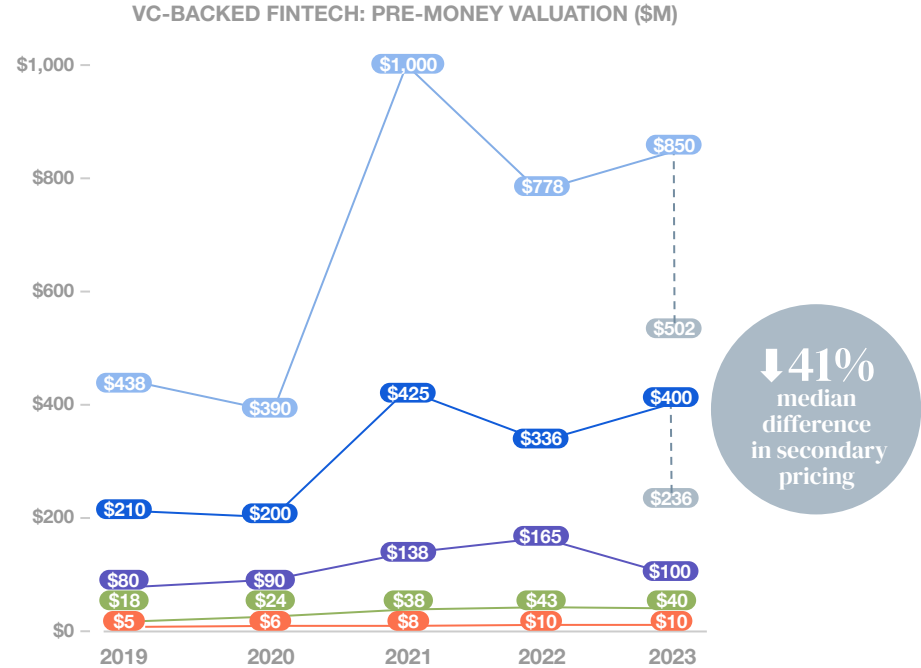
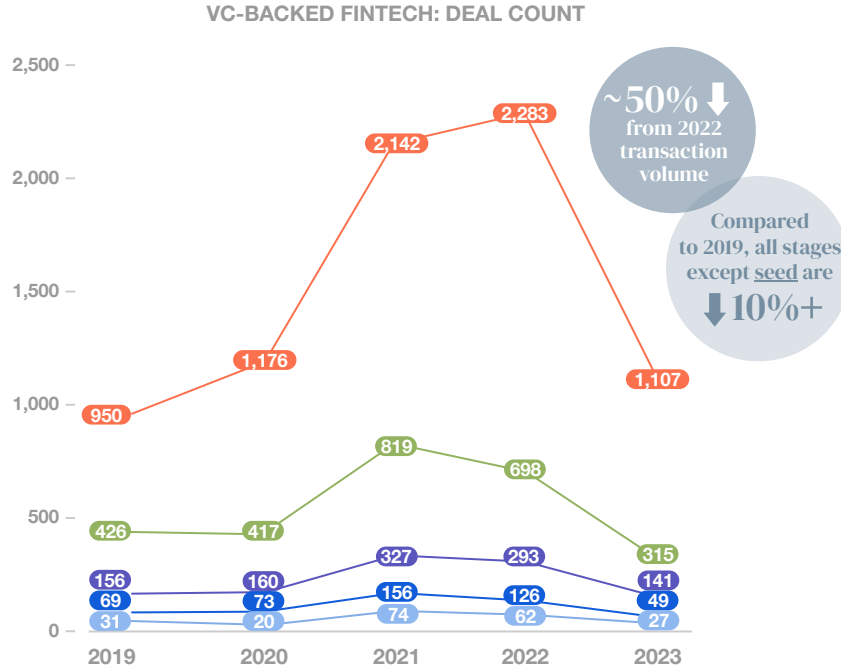
Market cap at 12/31/2023 was **\$573B**



Source: S&P Capital IQ, F-Prime team analysis

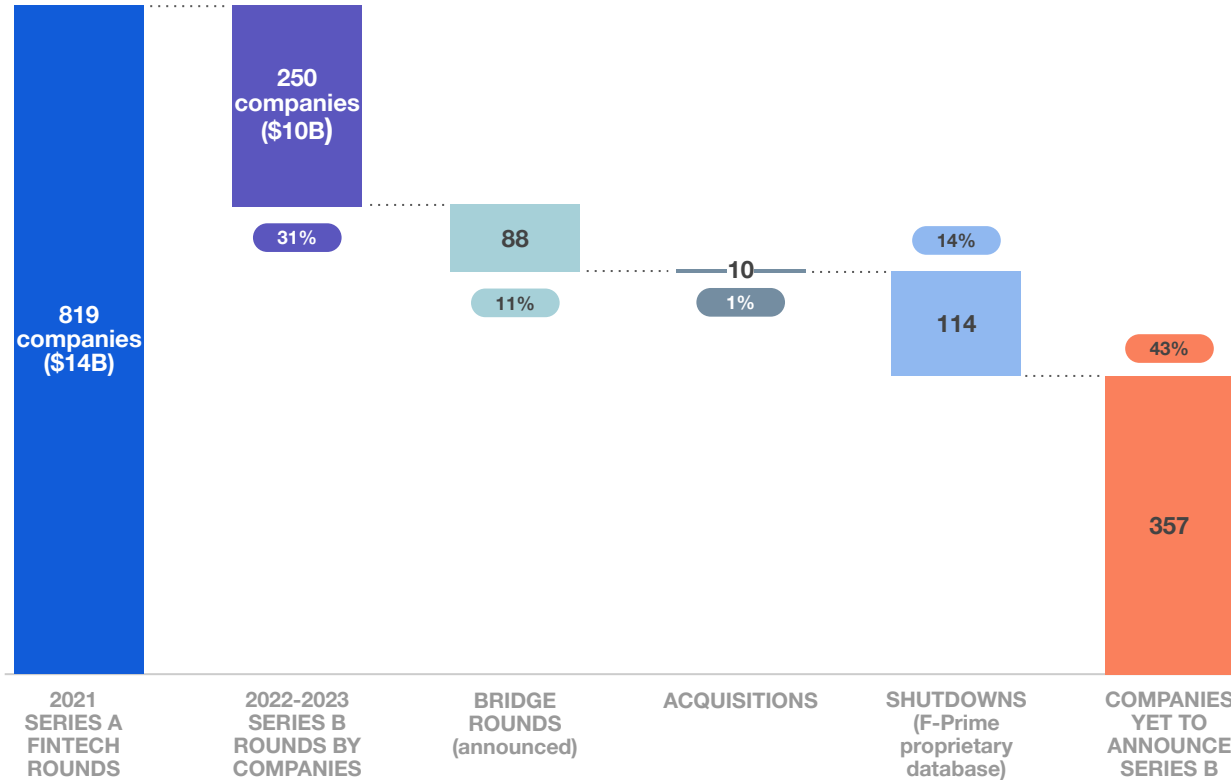
*Note: Totals in the chart do not equal 12/31/2023 Fintech Index market cap of \$573B and trough market cap of \$389B, as the analysis above excludes additions/removals for consistency purposes. Market capitalization of companies in the Index during the peak period was \$317B at trough and \$499B as of 12/31/2023.

In private markets, investment volume fell by ~50% and valuations trended down at most stages



Source: PitchBook, Carta, and F-Prime team analysis

Startups delayed raising capital for as long as possible, and we will see many challenging fundraises, distressed sales, and shutdowns this year



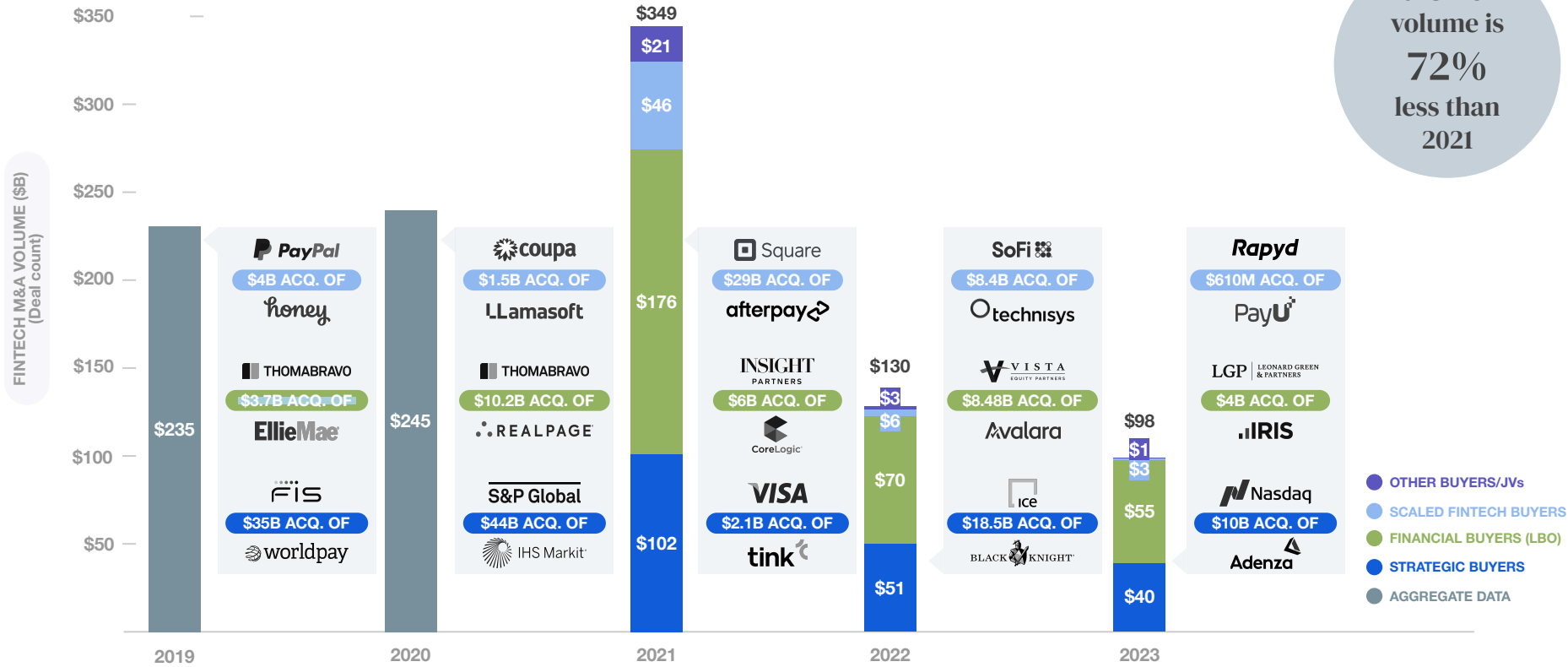
Sample Series A Shutdowns

COMPANY	TOTAL RAISED	LAST ROUND VALUATION
RECUR	\$85M	\$333M
ANPOOL	\$63M	\$400M
TESSERA	\$22M	\$300M
ASTRALABS	\$34M	\$122M
KOYO	\$25M	\$135M
BESPOKE FINANCIAL	\$26M	~\$75M
ALPHAFLOW	\$18M	\$68M
FINLYNC	\$35M	\$64M

Source: PitchBook, CB Insights, Carta, and F-Prime team analysis

M&A activity also fell to its lowest level in five years

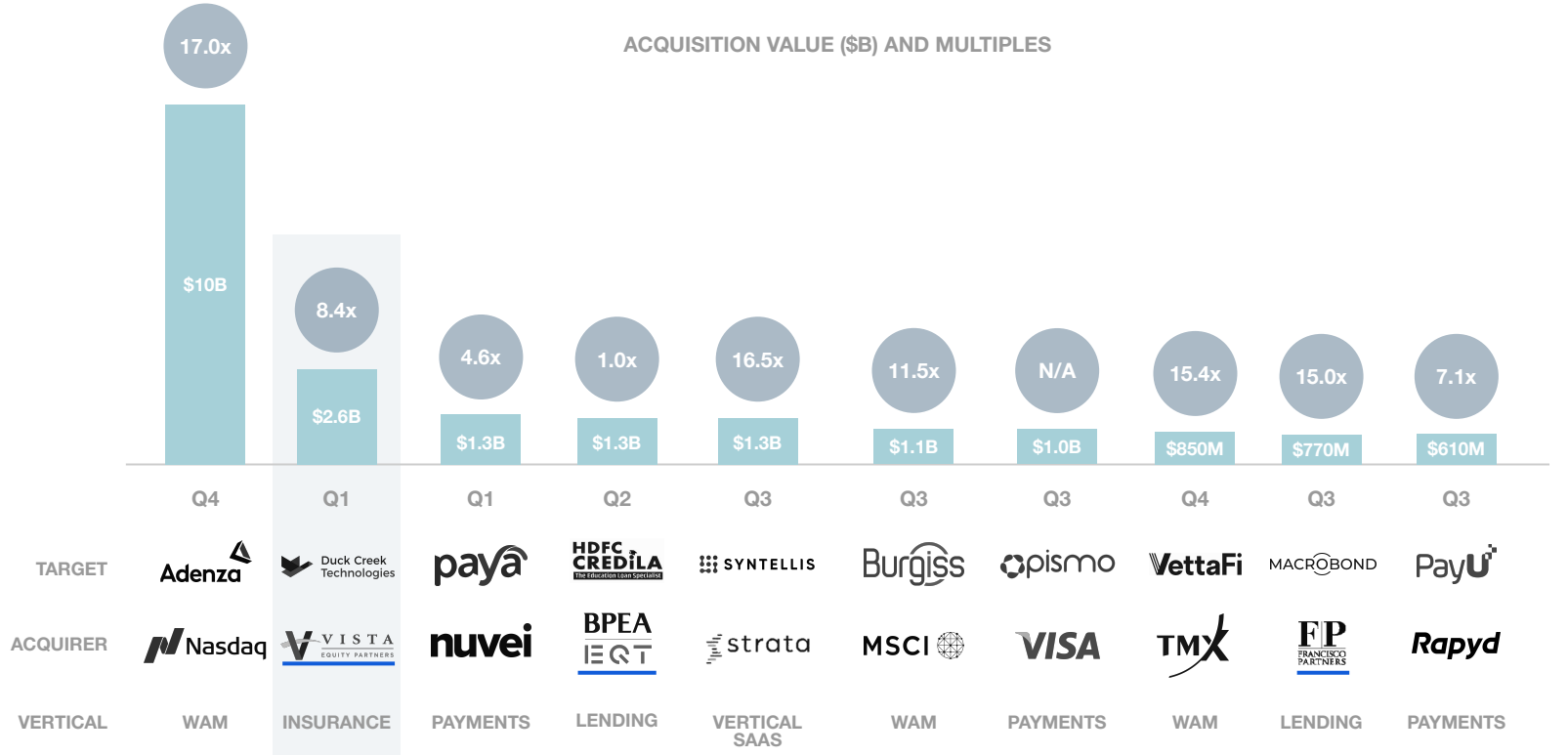
2023 M&A volume is 72% less than 2021



Source: FT Partners, F-Prime team analysis



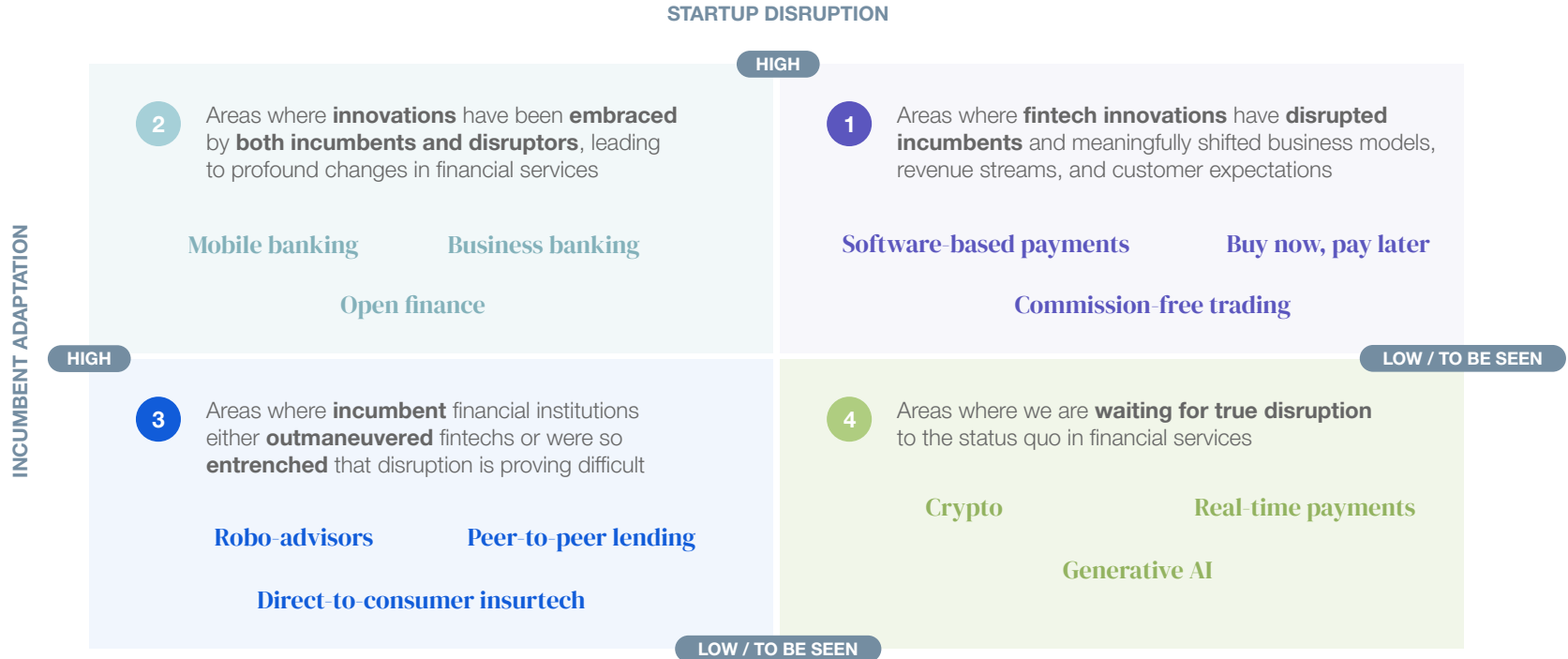
Top fintech acquisitions of 2023



Source: FT Partners, F-Prime team analysis
 Note: All revenue multiples are approximate.
 Note: The above list is of fintech disruptor acquisitions (excludes acquisition on incumbents).

ACQUISITION OF FINTECH INDEX COMPANY BUYOUT/LBO

Despite these headwinds, the impact of fintech startup innovations on financial services are indisputable and increasingly becoming clear

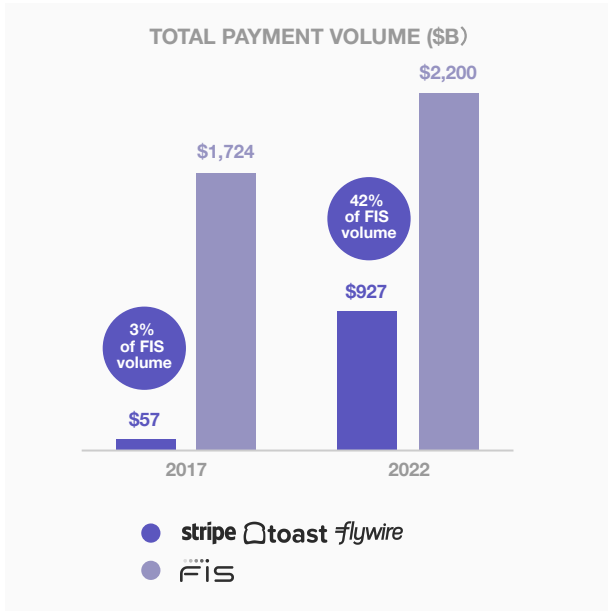




1 Startups have meaningfully disrupted payments, credit cards, and retail equity trading

SOFTWARE-BASED PAYMENTS

Stripe, Toast, and Flywire combined payment volumes have meaningfully eaten into those of incumbents



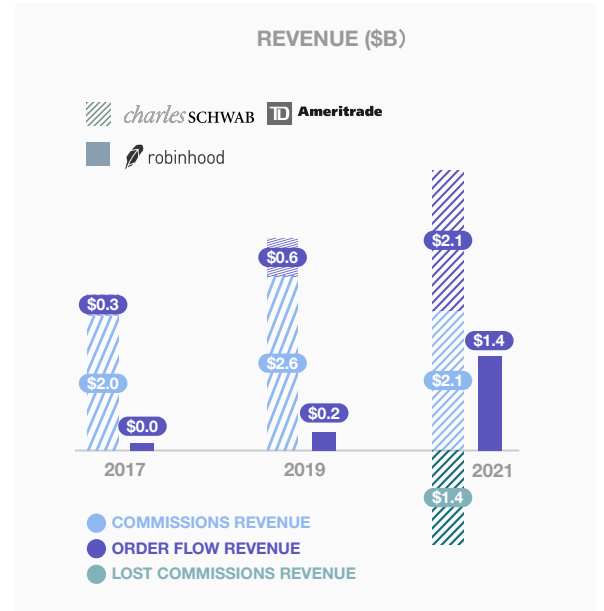
BUY NOW, PAY LATER

Consumers are carrying fewer cards and instead opting to finance purchases with Affirm and Klarna



COMMISSION-FREE TRADING

Robinhood won a new generation of investors with zero-fee trading, prompting incumbents to forgo some commission revenue in order to stay competitive

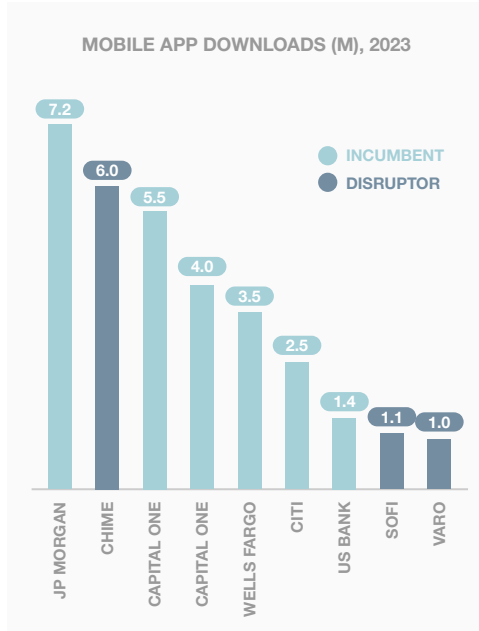


2

Both startups and incumbents have embraced innovation in banking and open finance

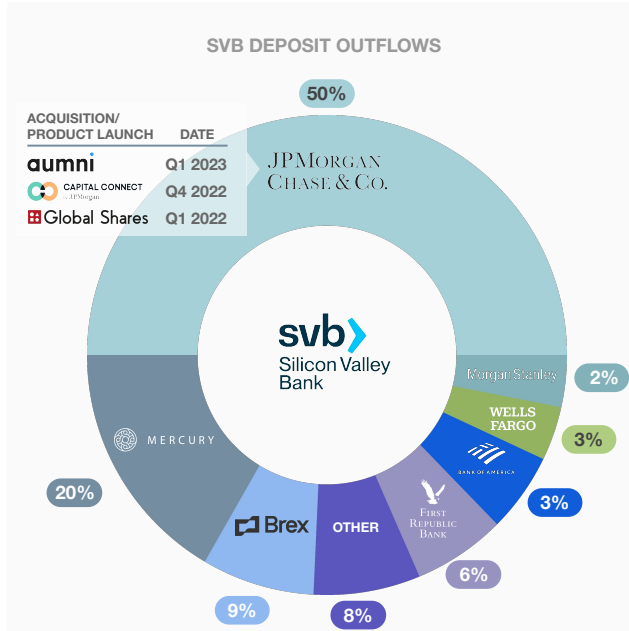
CONSUMER BANKING

Neobanks provided new front doors for consumers, and incumbents adopted some innovative features e.g., zero overdraft fees



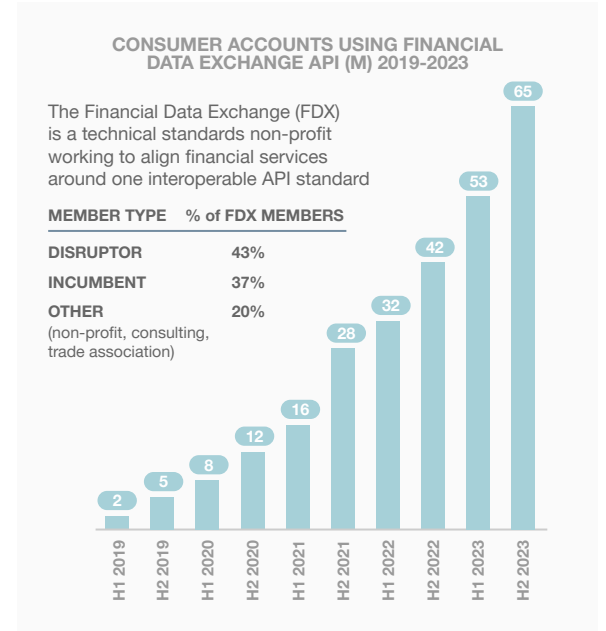
BUSINESS BANKING

Business neobanks Mercury and Brex benefited from SVB deposit outflows — though most flew to security in JP Morgan, which recently acquired innovative startup banking businesses



OPEN FINANCE

Both startups and incumbents alike appreciate the benefits of accessing consumer-permissioned financial data



The Financial Data Exchange (FDX) is a technical standards non-profit working to align financial services around one interoperable API standard

MEMBER TYPE	% of FDX MEMBERS
DISRUPTOR	43%
INCUMBENT	37%
OTHER (non-profit, consulting, trade association)	20%



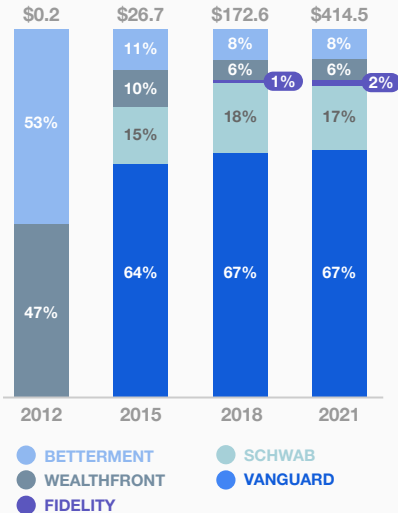
3

In several sectors, incumbents have outmaneuvered disruptors or proven resilient to disruption

ROBO-ADVISORS

Vanguard was able to innovate before Betterment and Wealthfront secured distribution

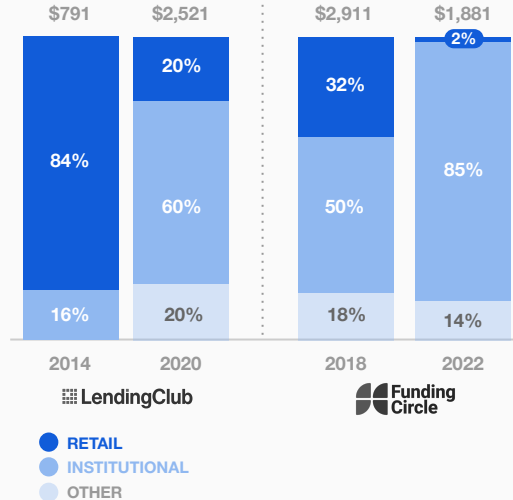
ROBO-ADVISED ASSETS (\$B), 2012-2021



PEER-TO-PEER LENDING

P2P lenders set out to disrupt the traditional banking model, but retail sources of funding eventually dried up

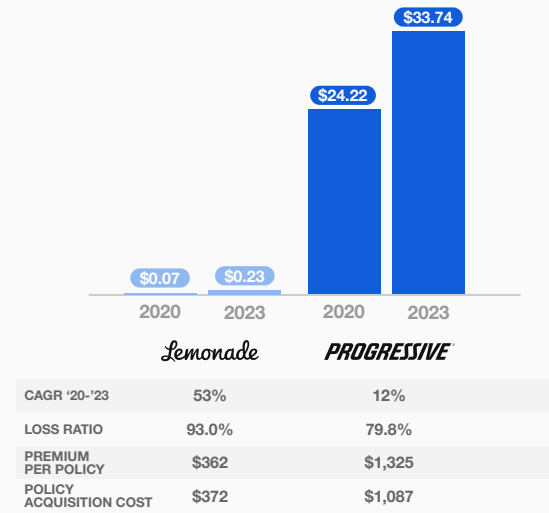
LOAN ORIGINATION VOLUME (\$M) AND SOURCES OF FUNDING, 2014-2022



DIRECT-TO-CONSUMER INSURTECH

Insurtech disruptors are winning on growth and CAC, but have not yet made a dent in incumbent premiums

NET EARNED PREMIUM (\$B), 2020-2023

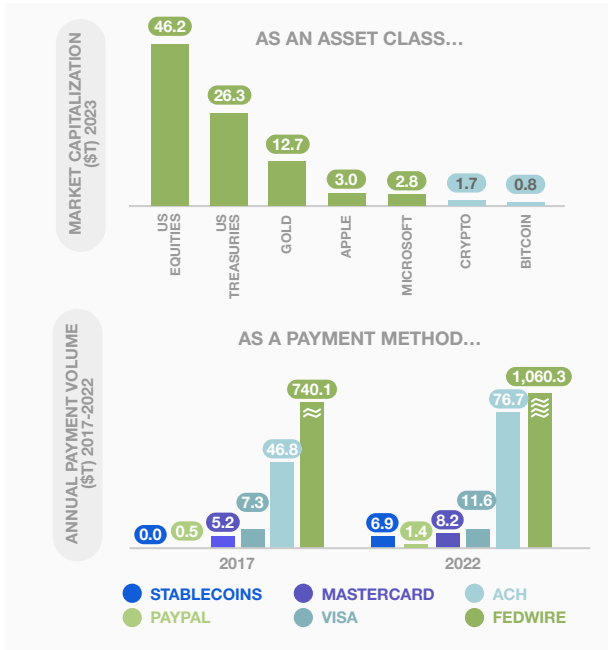


4

Crypto, generative AI, and real-time payments (in the US) have yet to meaningfully disrupt incumbents

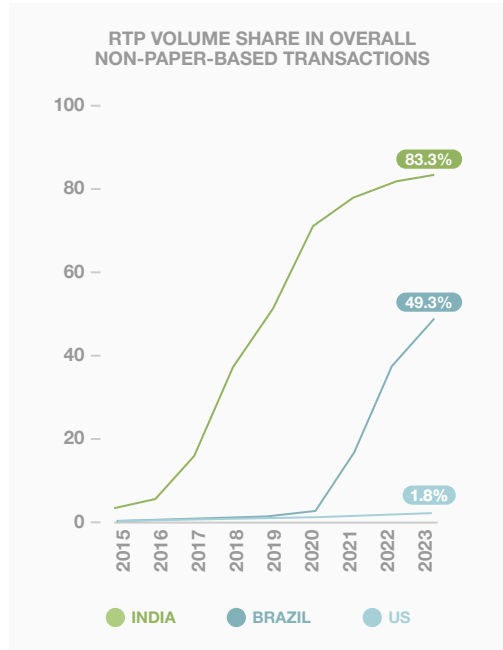
CRYPTO/BLOCKCHAIN

While crypto has had a volatile history as an asset class, stablecoin annual volume shows promise in its use as a global payment method



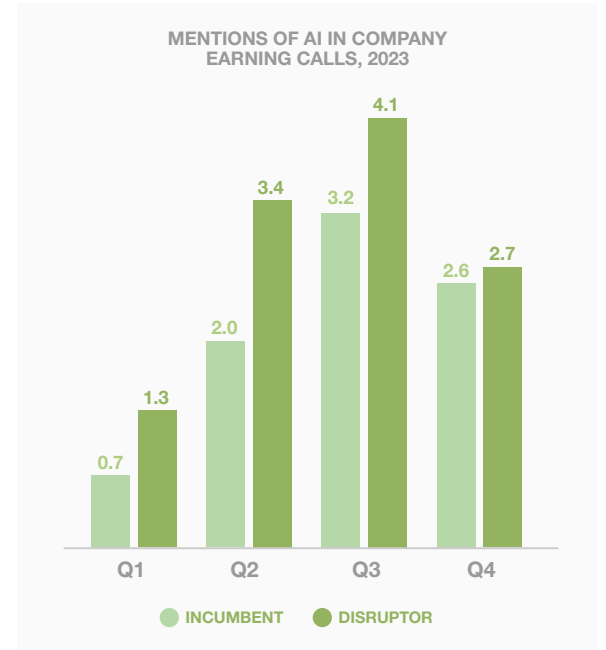
REAL-TIME PAYMENTS

It remains to be seen whether FedNow or RTP will see the same adoption as UPI in India or Pix in Brazil



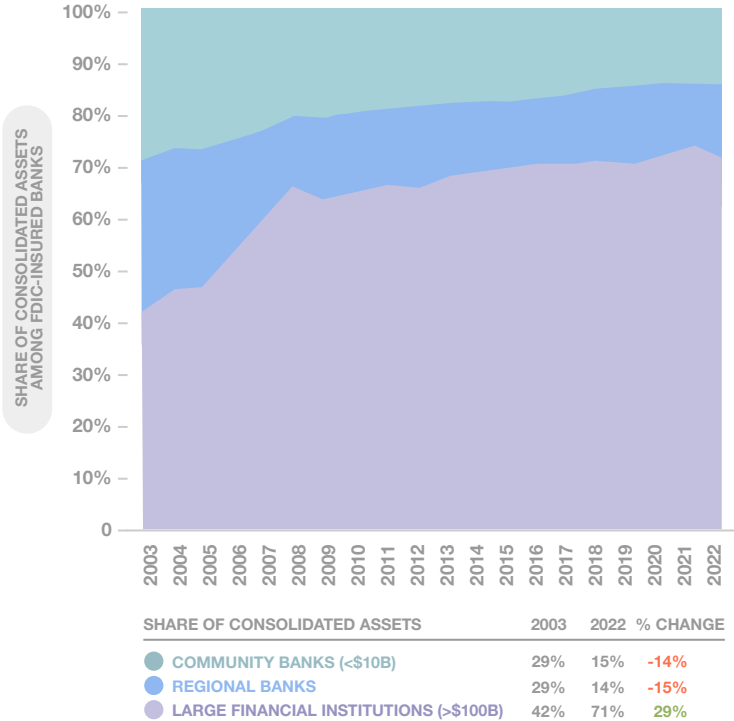
GENERATIVE AI

While incumbents have a data advantage and disruptors can move more quickly, AI is top of mind for both and there is no clear 'winner' yet

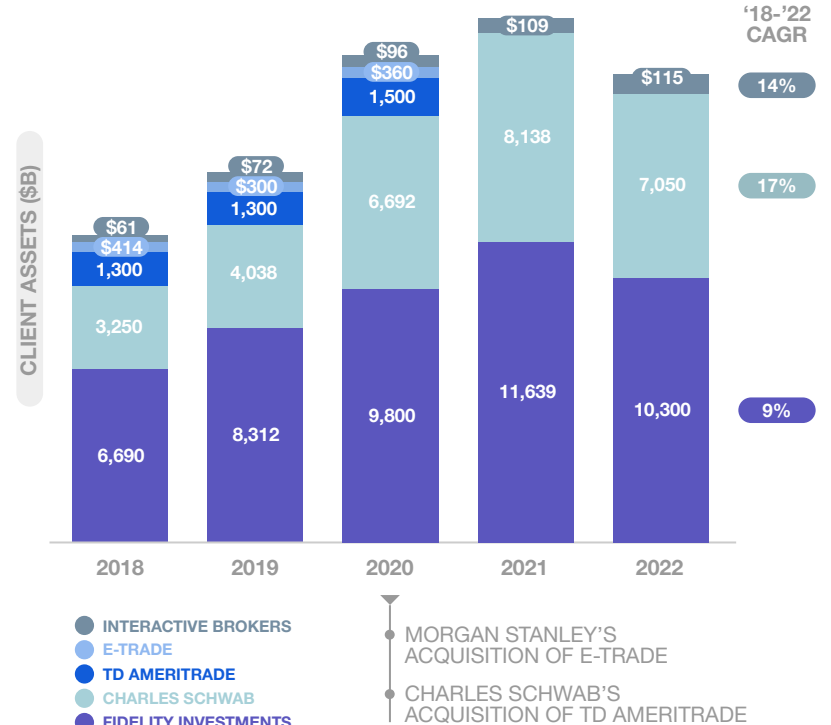


Despite the success of many disruptive startups, incumbents are doing just fine

Top five banks added \$580B in market cap since 2003



Top brokerages added \$5.8T in client assets over past 5 years



Source: Company annual report, Capital IQ, Bloomberg, F-Prime analysis
 Note: Top 5 banks include JP Morgan, Citi, Bank of America, Wells Fargo, and Morgan Stanley.

With the race to implement AI intensifying, we see increased activity in proptech, banking, and insurtech to address the many manual processes in those verticals

ANNOUNCEMENT OF AI APPLICATION (F-PRIME FINTECH INDEX COMPANIES)

No announcement yet ←  → Proportion of companies announced AI application

VERTICAL (# of fintech index companies)	PREDICTIVE AI Predictive AI has been deployed for years, with typical applications focusing on predictive analytics that can support use cases like “next best action”	GENERATIVE AI Generative AI, powered by the new class of LLMs, is beginning to be implemented within the industry to generate novel content
	SHARE OF COMPANIES	SHARE OF COMPANIES
	EXAMPLE USE CASES	EXAMPLE USE CASES
PROPTech (4)	 <ul style="list-style-type: none"> -Pricing (e.g., OpenDoor): Project pricing and streamline transaction process -Home search / matching (e.g., Redfin): Match home based on user criteria 	 <ul style="list-style-type: none"> -Loan officer copilot (e.g., Redin): Streamline mortgage application processing -Listing enhancement (e.g., Compass, Redfin): Redesign listing photos and videos
BANKING (6)	 <ul style="list-style-type: none"> -Product recommendation (e.g., SoFi, MoneyLion, Nerdwallet): Enable personalized financial product recommendation -Credit underwriting (e.g., Nubank): Streamline personal credit app. review -Compliance / AML: Streamline KYC/KYB processes and identify client risk 	 <ul style="list-style-type: none"> -Bank agents copilot (e.g., SoFi, nCino): Streamline loan application review, memo generation, and approval processes
INSURANCE (6)	 <ul style="list-style-type: none"> -Underwriting (e.g., Lemonade, EverQuote): Spot patterns & provide traceability of underwriting decisions -Dynamic, real-time, predictive analytics (e.g., Clover Health): Assist doctors in analyzing past medical record 	 <ul style="list-style-type: none"> -Claim management & automation (e.g., Oscar Health): Review cost procedures and confirm insurance logic -Personal Health assistant: Check coverage/deductibles automatically and share preventive care benefits
LENDING (4)	 <ul style="list-style-type: none"> -Underwriting (e.g., Upstart, Affirm): Automate loan approval and validation 	 <p>No announcement yet</p>
PAYMENTS (19)	 <ul style="list-style-type: none"> -Fraud detection / prevention (e.g., Ayden, Wise Paypal): Monitor transactions, detect fraudsters, and manage risks -Dynamic, real-time, predictive analytics (e.g., Toast, Olo): Project live customer demand and quote order ready times 	 <ul style="list-style-type: none"> -Developer copilot (e.g., MercadoLibre, Marqeta): Increase developer efficiency -Customer onboarding (e.g., Marqeta): Streamline user navigation of documentation
WEALTH/ ASSET MGMT (4)	 <ul style="list-style-type: none"> -Order matching (e.g., Virtu financial): Connect retail brokers with IPO markets 	 <ul style="list-style-type: none"> -Though fintech startups (e.g., Public) launched feature to streamline investment research, public companies have yet to announce application of AI



Many startup are also emerging to enable wider adoption of AI across fintech verticals

VERTICAL	PREDICTIVE AI			GENERATIVE AI		
PAYMENTS		SPADE	TAPIX BY DATE IO	Ballerine		
BANKING	MOSTLY.AI	Taktile	Hyperplane AI	MINERVA	HAWK.AI	Kasisto, vectari, posh
WEALTH/ASSET MGMT	Quille AI	JIFFY.ai	canoe, acceleX, aiFlow, ficc.ai	Dendrite AI	Brightwave AI, TODGGLE, ARKIFI, pazaplanner.ai, Rose AI	Portrait, Theia Insights, Dispatch, Savvy
INSURANCE	Groundspeed, sprout.ai	Tractable, riskgenius	leO, snapsheet, EigenTechnologies, SHIFT	Atidot	PLANNCK, INSURMI, Qumis, super.ai, Sixfold	ZELROS
LENDING	LoanSnap	Oculus	True AI, ZEST AI, POLLY/		noetica	Cascading AI
PROPTech	plunk	ValueBase	LocalizeOS		Haven, blackshark.ai, TRESTLE	Jitty
B2B SaaS	COMPLIANCE.AI, TRULLION	elucidate, Anonybit	Vymo, LUCINITY, fairplay, iij nSure.ai	VIC.AI	Basis, Greenlite, oscilar, Hebbia, Norm Ai, FCB.ai	Parcha, truewind, Maya AI

Fintech trends we are tracking in 2024

Payments tooling

With new rails, faster settlement times, and increasing need for reconciliation, payments teams are receiving purpose-built tooling



Vertical APIs

Vertical SaaS tools will open their platforms to allow others to integrate actions and share real-time, industry-specific data



Digitization of wealth tech stack

Growth of independent advisors and the alternatives asset class drive the need for a better and more integrated tech stack



AI x professional services

Compelling early use cases in accounting, legal, and tax with LLM-powered wedge products



Emerging markets fintech

Accelerated digital transformation combined with low penetration of financial services paves the way for vertical SaaS and fintech to serve fast-growing markets



Stablecoins

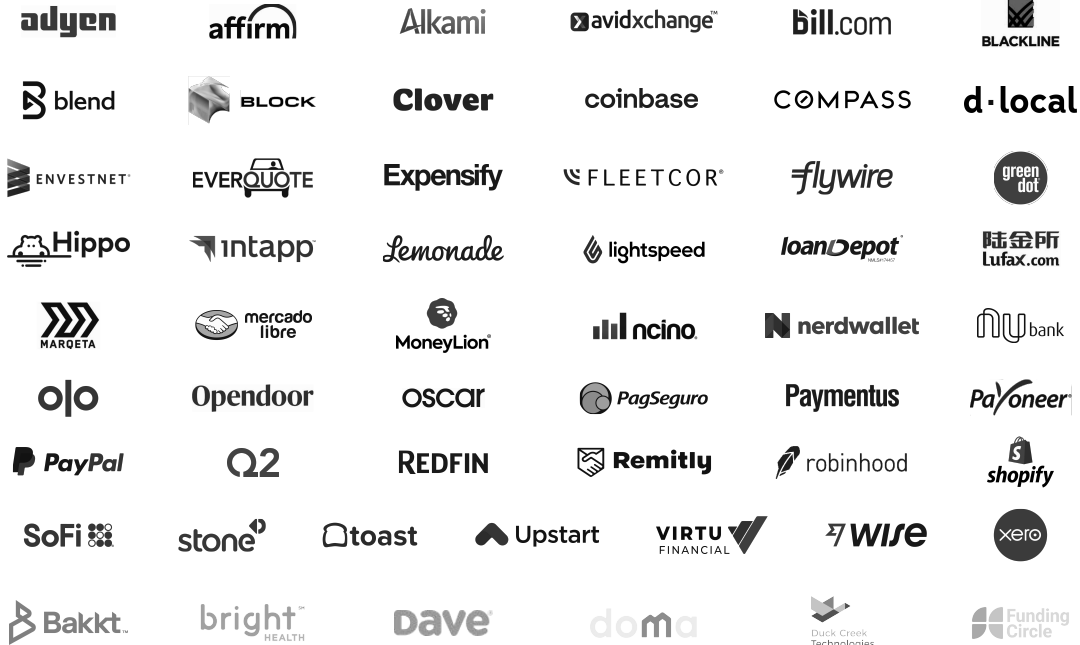
Stablecoins have a role in multiple valuable solutions including payment methods, volatility hedge, and investment products



F-Prime Fintech Index

F-Prime Fintech Index Overview

The F-Prime Fintech Index comprises the following emerging financial technology companies. Criteria include capitalization, liquidity, growth rates, founding year and listing exchange.



49
Companies

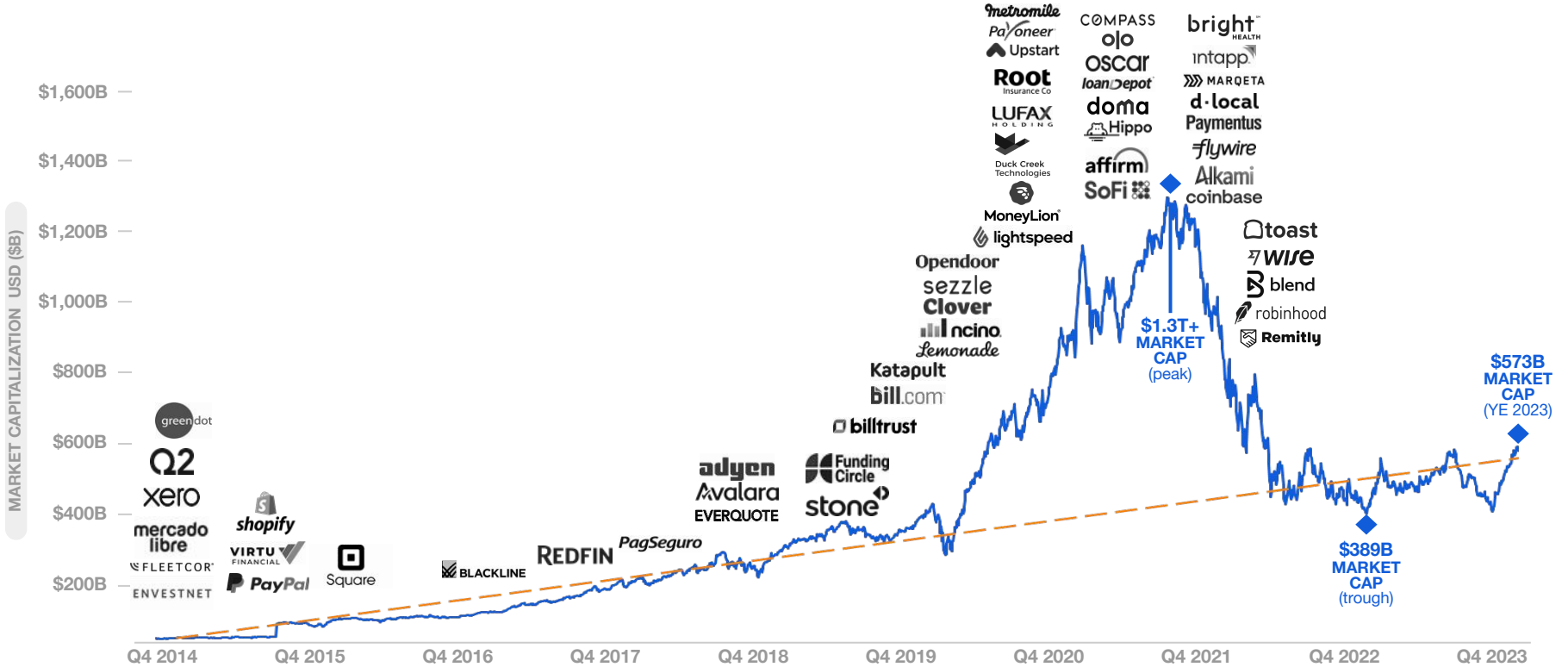
\$573B
Market cap

\$65B
Raised

4.8x
Revenue multiple

15%
LTM avg. revenue growth rate

After peaking at \$1.3T in late 2021, the F-Prime Fintech Index fell to \$389B before rebounding to \$573B in 2023



Source: Capital IQ, Yahoo Finance, F-Prime team analysis

Note: Due to the fact that the Fintech Index is market cap weighted, the performance in the next slide will be higher than the capitalization change above.

42% CAGR

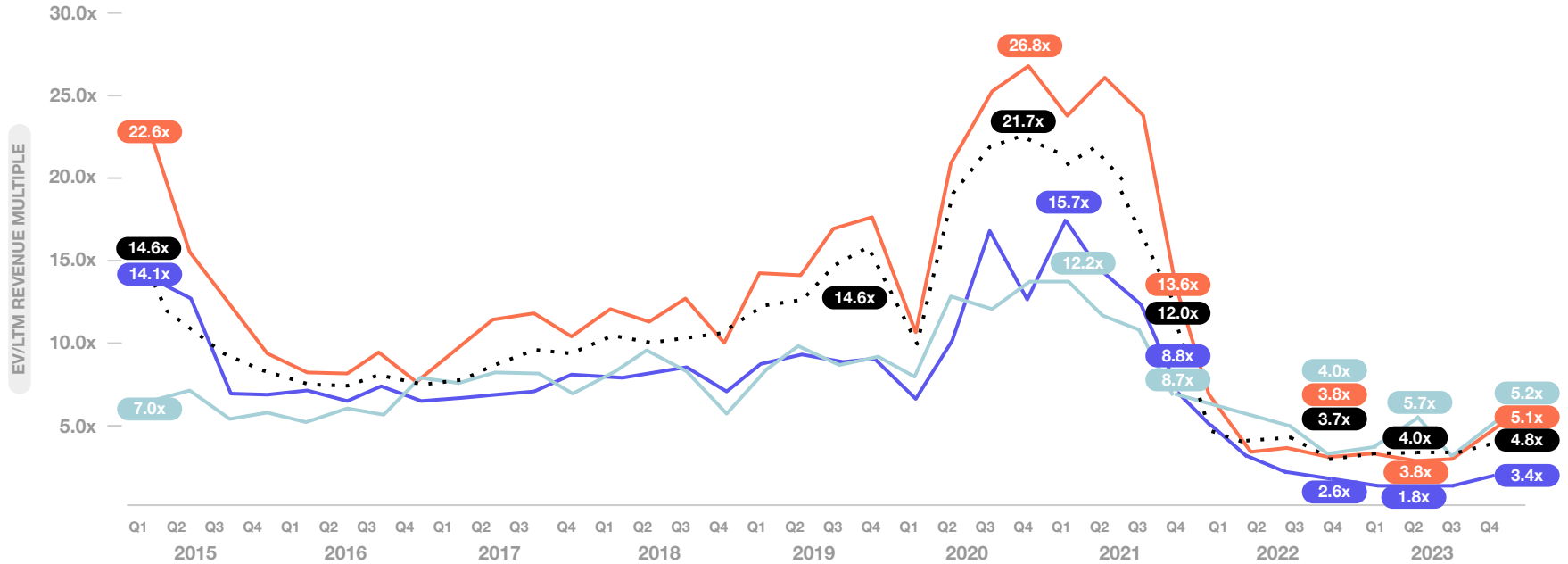


In 2023 the F-Prime Fintech Index was up 114%



Source: Capital IQ, Yahoo Finance, F-Prime team analysis

Public investors assigned high multiples to fintech companies in 2020 and 2021, but are now valuing companies below historical averages



Source: Capital IQ, F-Prime team analysis

Note: The companies included in the above analysis are the F-Prime Fintech Index Companies.

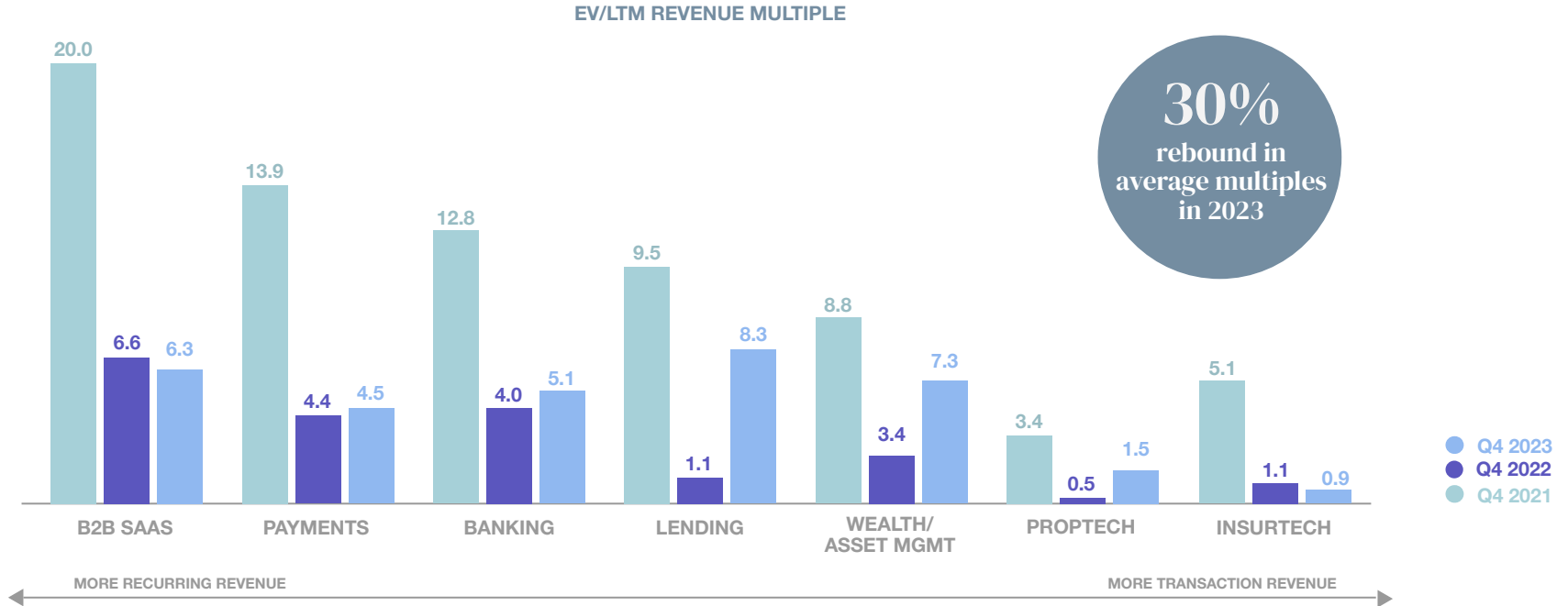
● AGGREGATE

● LESS THAN 20% (LTM growth rate)

● BETWEEN 20-40% (LTM growth rate)

● GREATER THAN 40% (LTM growth rate)

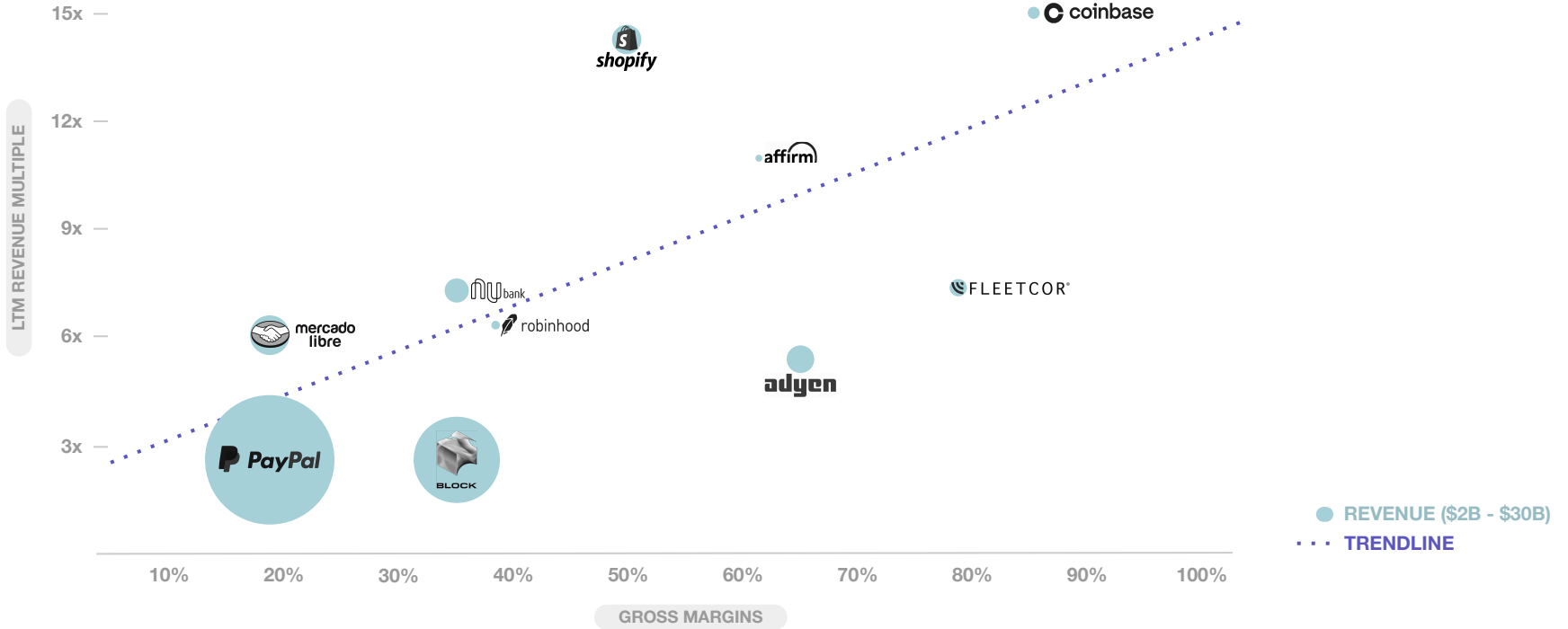
Almost every sector saw a modest recovery in valuation multiples



Source: S&P Capital IQ, F-Prime team analysis

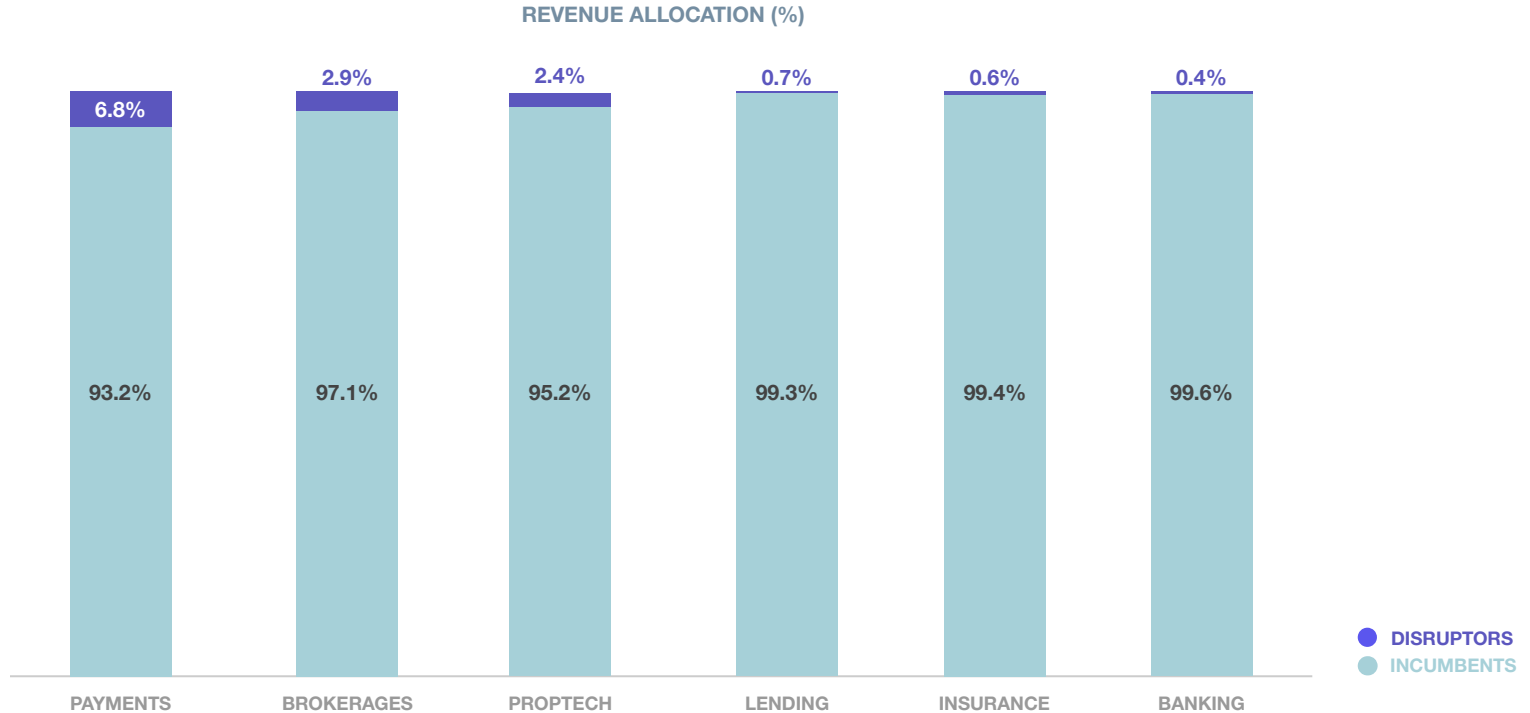


For now, public investors view high gross margins as an important driver of valuation



Note: The above chart is displaying the 10-most valuable Fintech Index companies as of 12/31/2023.

Fintech companies are capturing market share, but still have room to grow

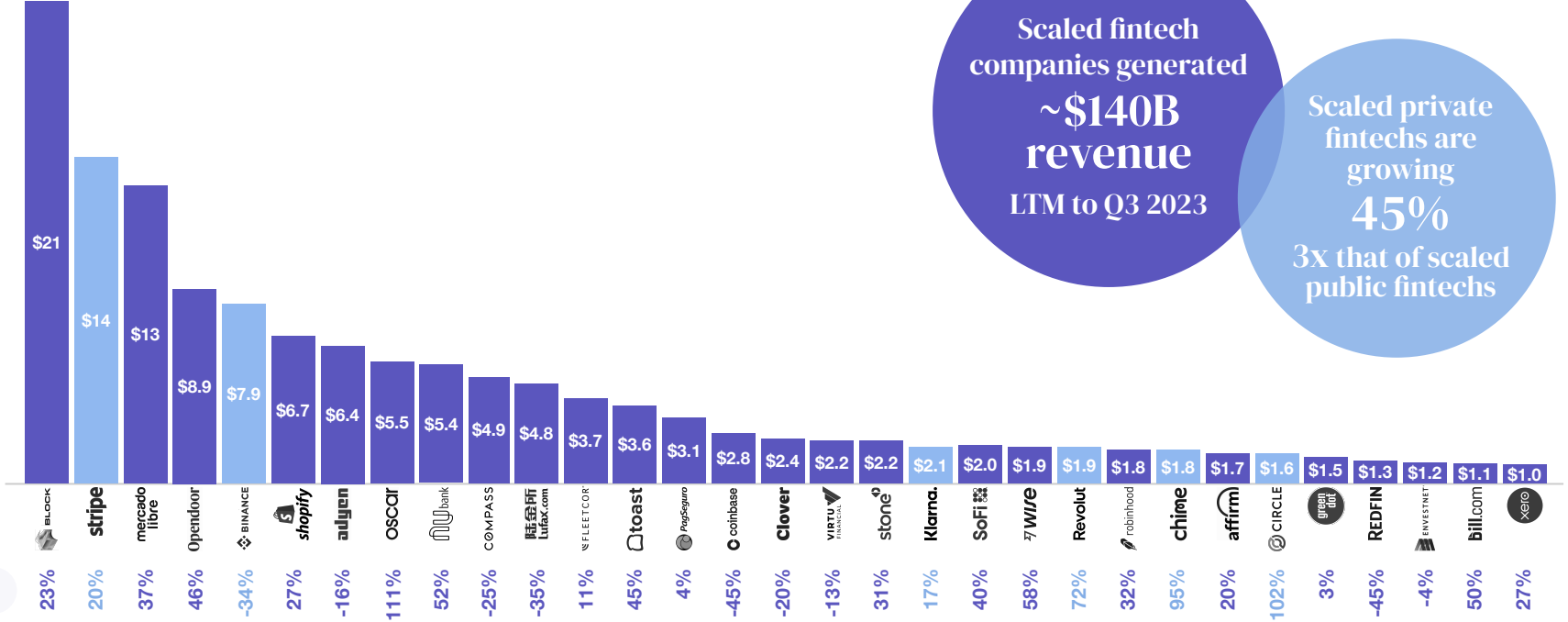


Source: IBIS World Industry Report, Company 10Ks, News outlets, F-Prime team analysis



The last ten years produced many scaled fintech companies that are just getting going

REVENUE (\$B)



Scaled fintech companies generated ~\$140B revenue LTM to Q3 2023

Scaled private fintechs are growing 45% 3x that of scaled public fintechs

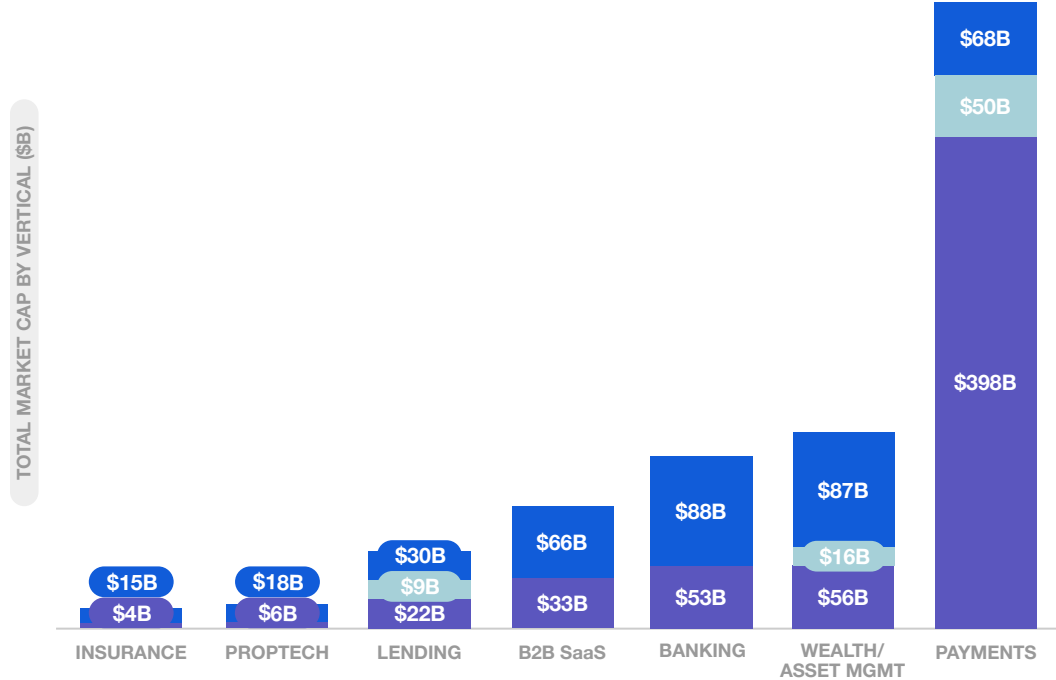
REVENUE GROWTH LTM

Source: Capital IQ, F-Prime Team analysis
 Note: Due to data availability limitations, private fintechs generating \$1B+ in revenue may not be comprehensive.

- PUBLIC FINTECH REVENUE
- PRIVATE FINTECH REVENUE



After two years without a large fintech IPO, many sizable companies are now filing or considering going public



Source: PitchBook, TechCrunch, Capital IQ, F-Prime team analysis
 Note: Exited companies added to index after 3 months of trading in public markets.
 Valuation date: 12/31/2023

- POTENTIAL FUTURE LISTINGS
- ANNOUNCED/UPCOMING IPOs
- FINTECH INDEX COMPANIES

Filing & Announced Exits

COMPANY	VALUATION	FILING DATE
CIRCLE	\$8B	Q1 2024
APEX	\$5B	Q4 2023
stripe	\$50B	N/A
Klarna.	\$7B	N/A
lendbuzz	\$2B	N/A
FIGURE	\$3B	N/A

Potential Listing Candidates

- chime**
- gusto**
- Brex**
- NYDIG**
- Revolut**
- deel.**
- PLAID**
- iCapital**
- Rapyd**
- ripple**
- carta**
- ramp**
- Chainalysis**
- Fireblocks**
- ServiceTitan**
- flutterwave**
- DRIVEWEALTH**
- checkout.com**
- RIPPLING**
- wealthfront**

About F-Prime Capital

We create and invest in healthcare and technology companies that impact lives all over the world.

We have over 300 companies in our portfolio, including 30 that we started. Our global portfolio is spread across the Americas, Europe, Asia and Africa.



Note: Above listing is a sample of fintech portfolio companies in the F-Prime and [Eight Roads](#) funds.



F-Prime Technology Team



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Platform Director



Betsy Mulé
Senior Associate



David Jegen
Managing Partner



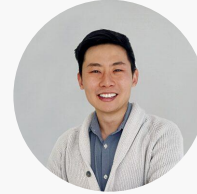
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Partner



Henry Trapnell
Industry Networks Director



Jillian Enos
Financial Sr. Director



John Lin
Principal



Quinten Dol
Marketing Manager



Rachel Feely-Kohl
VP, Community & Platform



Rocio Wu
Principal



Sanjay Aggarwal
Venture Partner



Sarah Lamont
Senior Associate



Shervin Ghaemmaghami
Operating Partner

F/PRIME

Fintech Index



Join the team for a virtual presentation of

The State of Fintech in 2024

Tuesday, February 27 at 1 p.m. EST

bit.ly/sofintech24

