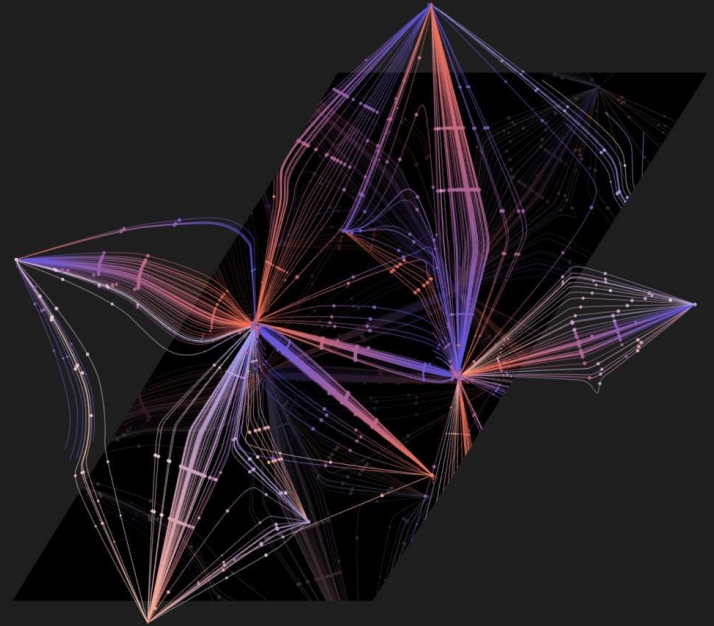


# F/PRIME

## State of Fintech

*Banking Sector 2024*





# 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.



48  
Companies

\$568B  
Market cap

4.4x  
Revenue multiple

14%  
LTM annual growth rate

Source: F-Prime team analysis

Note: All figures as of 6/30/2024

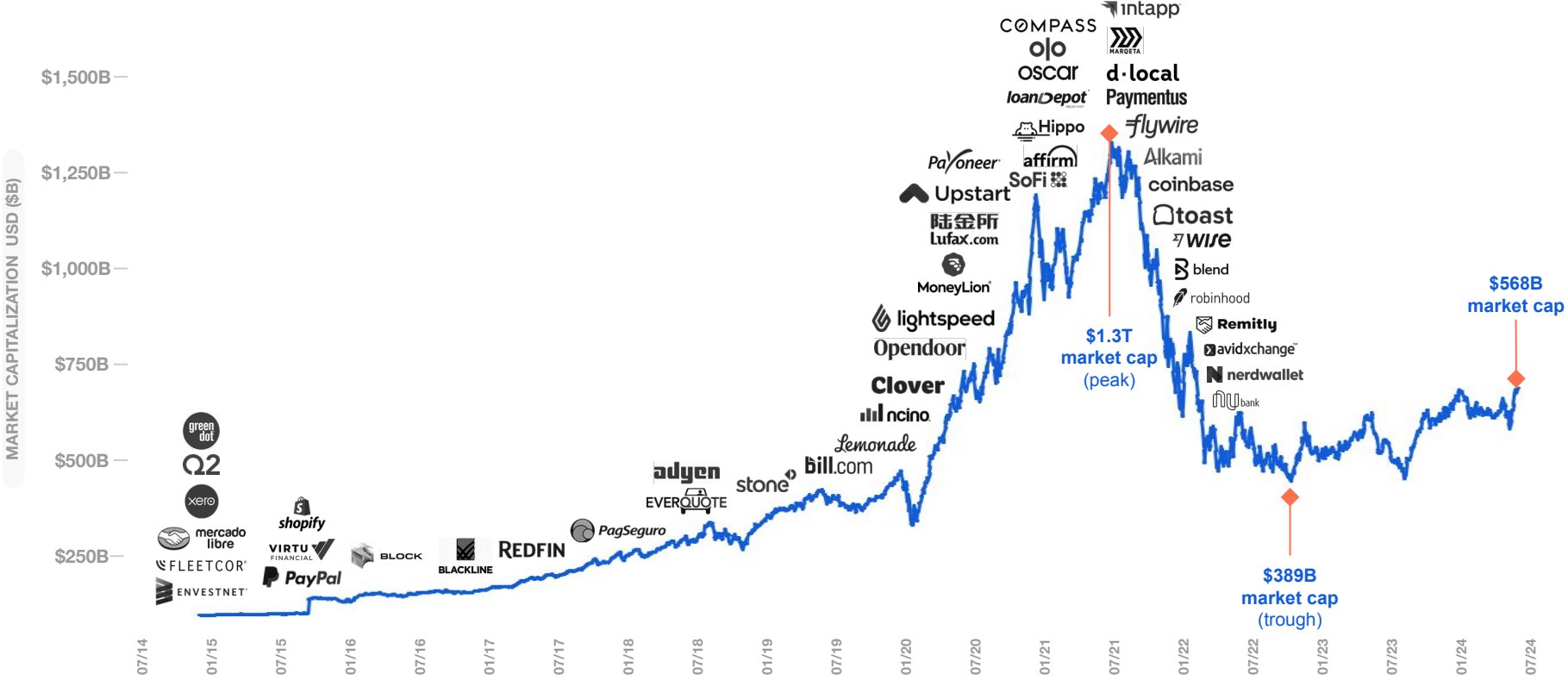


# Contents

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| <b>I</b>   | <b>State of Fintech</b>        | <b>Page 4</b>  |
| <b>II</b>  | <b>Banking sector overview</b> | <b>Page 7</b>  |
| <b>III</b> | <b>2024 banking trends</b>     | <b>Page 8</b>  |
| <b>IV</b>  | <b>About F-Prime Capital</b>   | <b>Page 21</b> |



# After peaking at \$1.3T in late 2021, the F-Prime Fintech Index fell to \$389B before rebounding to \$568B by end of Q2 2024

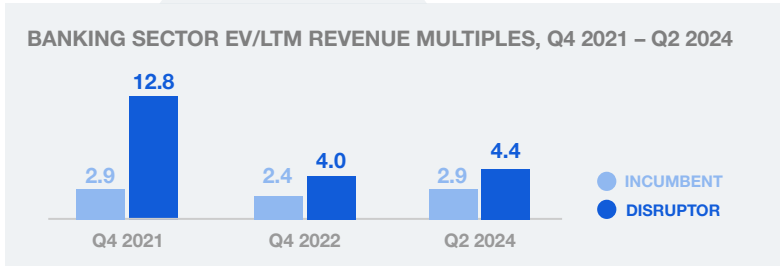
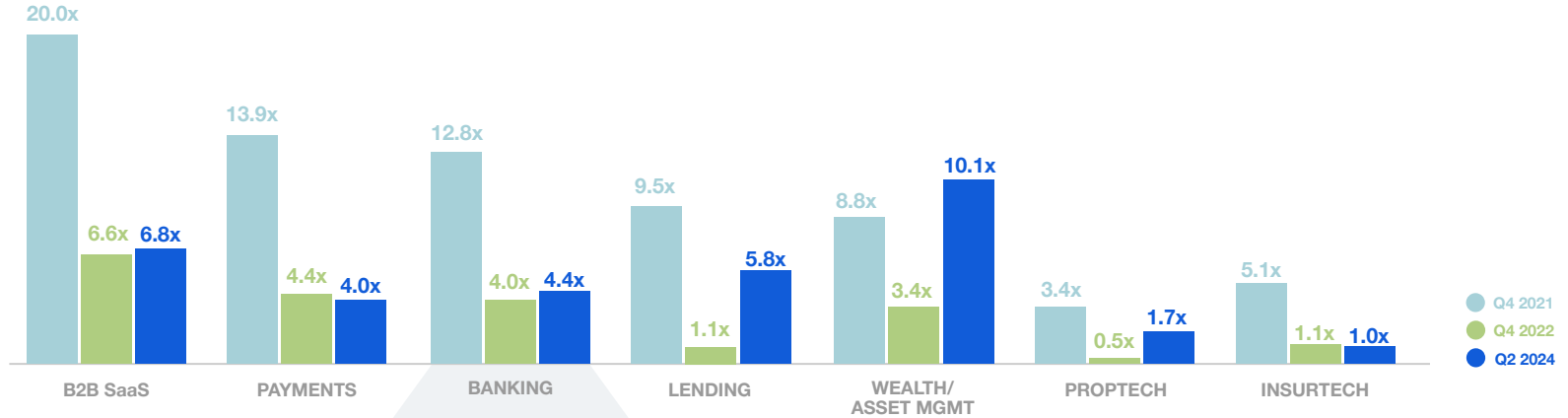


Source: S&P Capital IQ, F-Prime team analysis



# Most sectors saw a modest recovery in revenue multiples in 2023, but are staying more aligned with incumbent comps

EV/LTM REVENUE MULTIPLES BY SECTOR, Q4 2021 – Q2 2024

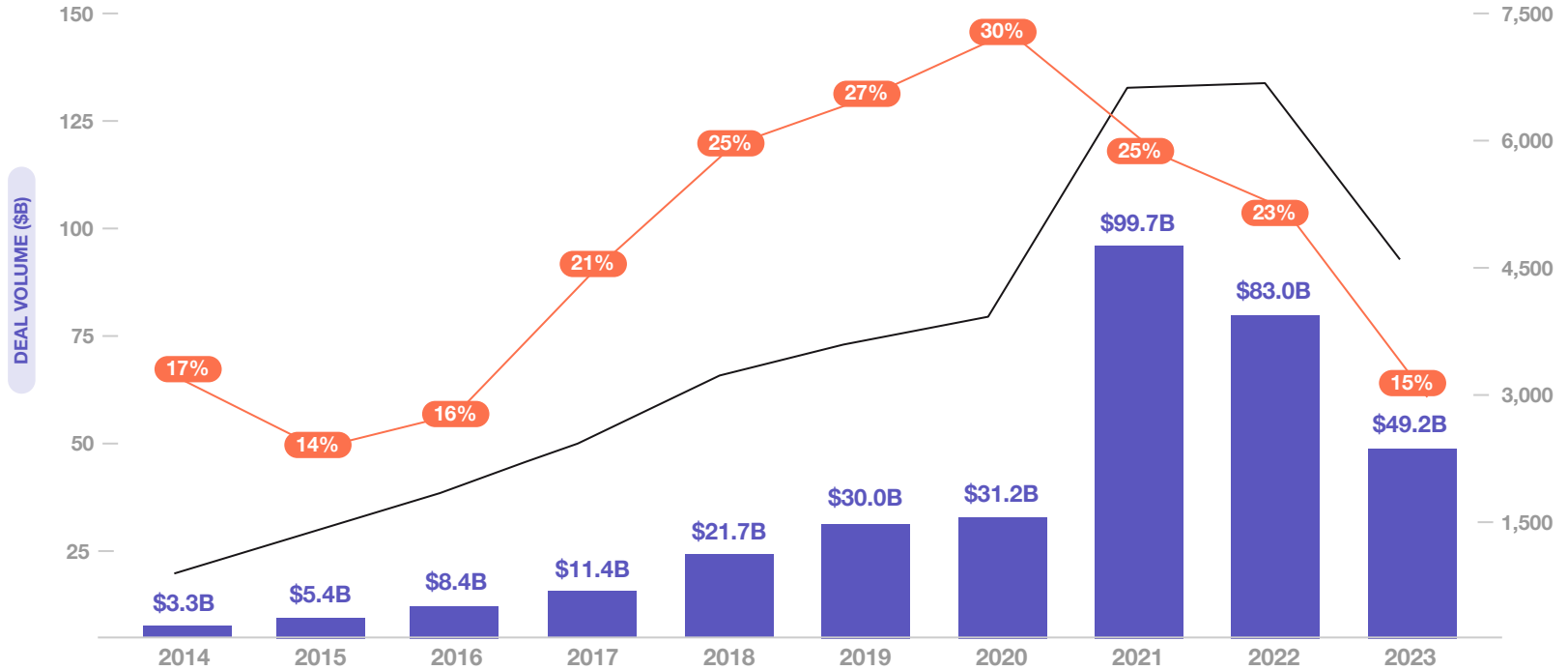


Source: S&P Capital IQ, F-Prime team analysis



# Along with the broader technology market, global fintech VC investment has reverted to pre-2021 levels

GLOBAL FINTECH VC INVESTMENT, 2014 – 2023



Source: PitchBook, F-Prime team analysis

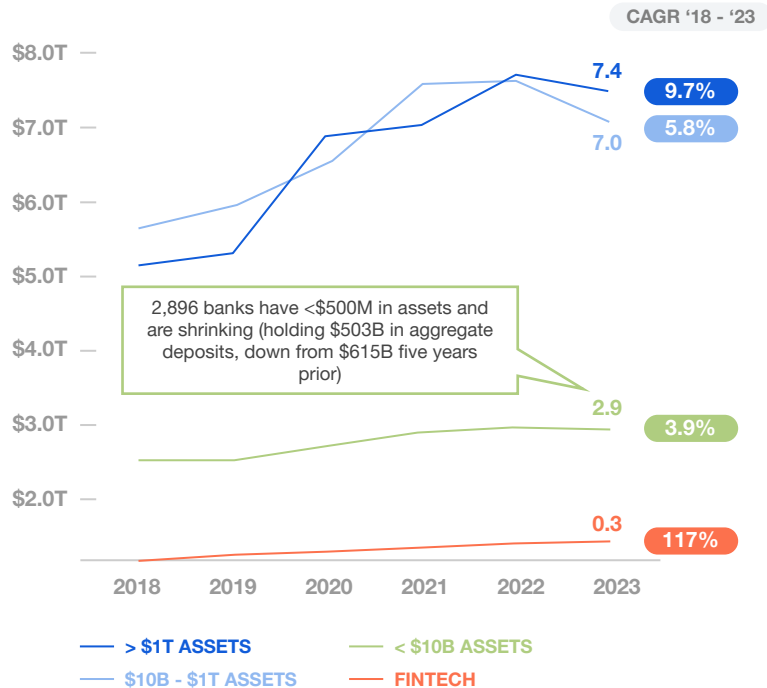
GLOBAL FINTECH VC, \$M

— GLOBAL FINTECH VC, DEAL COUNT

— BANKING (% OF GLOBAL FINTECH VC)

# The largest US banks continue to get larger, while neobanks accelerate; some smaller banks have sought new strategies like BaaS

DEPOSITS (\$T) BY FINANCIAL INSTITUTION SIZE

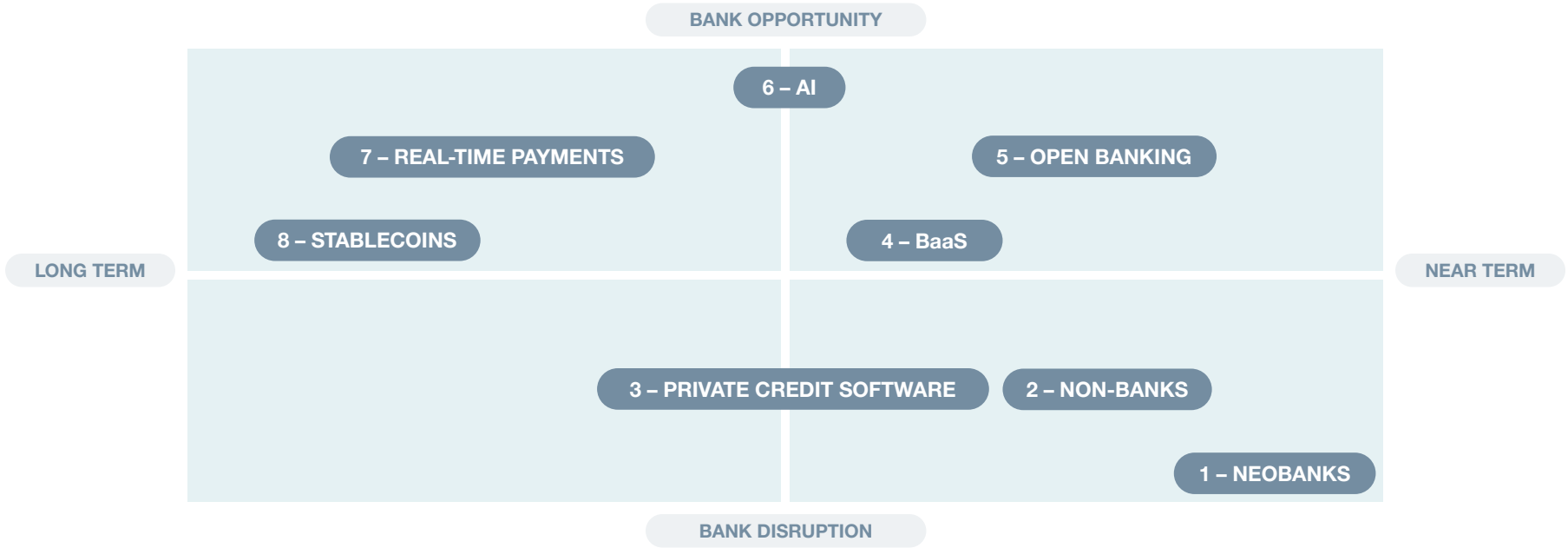


Source: FDIC, Global Market Intelligence

BAAS PROVIDERS WITH LARGEST DEPOSIT INCREASES IN Q1 2023

| COMPANY  | TOTAL DEPOSITS | QOQ CHANGES  |
|--|----------------|--------------|
| Stride Bank  | \$3.15B        | 24.99%       |
| Lead Bank  | \$0.82B        | 22.30%       |
| MVB Bank   | \$3.17B        | 21.76%       |
| Column NA  | \$0.41B        | 20.46%       |
| CBW Bank   | \$0.07B        | 19.76%       |
| WebBank  | \$1.85B        | 18.22%       |
| Grasshopper Bank   | \$0.65B        | 17.59%       |
| Choice Financial Group   | \$4.45B        | 16.72%       |
| Piermont Bank  | \$0.44B        | 15.81%       |
| Emigrant Bank  | \$5.66B        | 14.95%       |
| FinWise Bank   | \$0.32B        | 14.62%       |
| Thread Bank  | \$0.44B        | 14.10%       |
| Capital Community Bank   | \$0.56B        | 12.21%       |
| Blue Ridge Bank  | \$2.76B        | 10.31%       |
| Celtic Bank Corp.  | \$1.66B        | 9.94%        |
| <b>Median QoQ deposit change of BaaS providers &lt;\$10B in assets</b>     |                | <b>3.96%</b> |
| <b>Median QoQ deposit change of all other US banks &lt;\$10B in assets</b> |                | <b>0.19%</b> |

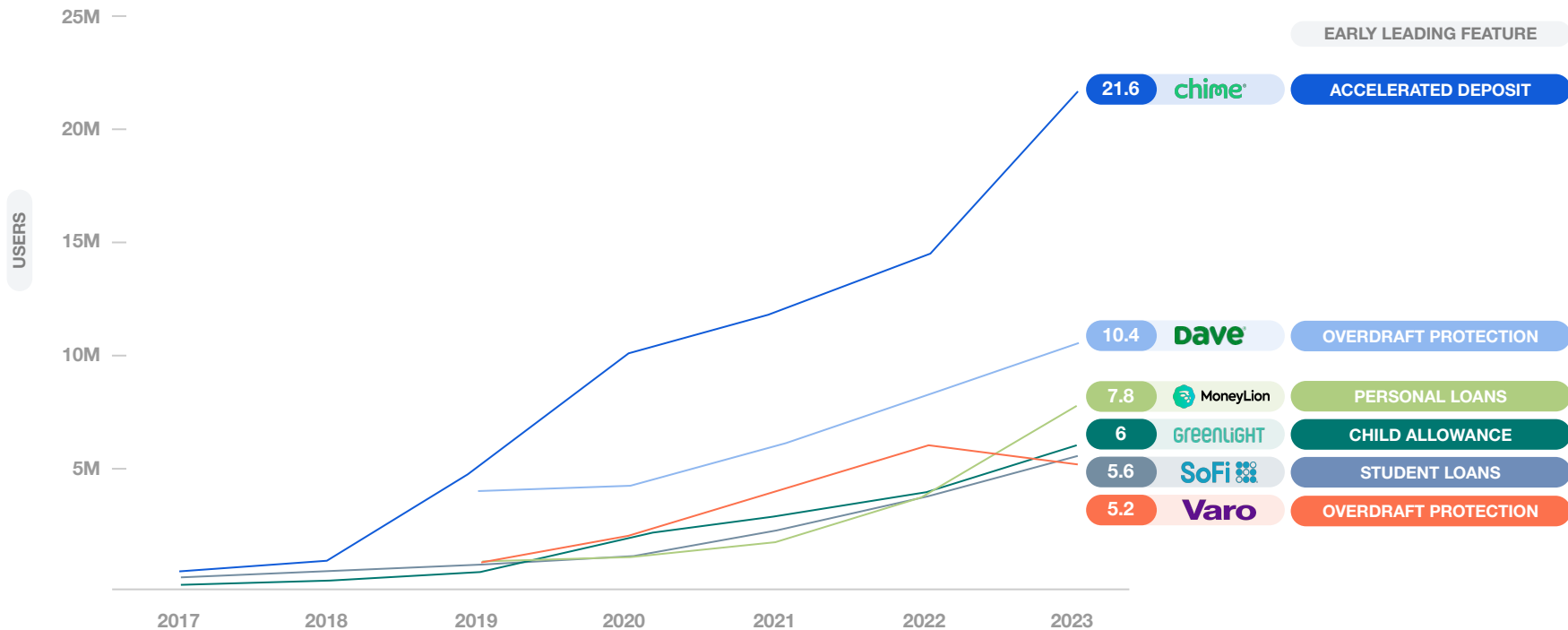
# The impact of startup innovation on traditional banking – both opportunities and threats – are indisputable and becoming increasingly clear



Source: F-Prime team analysis

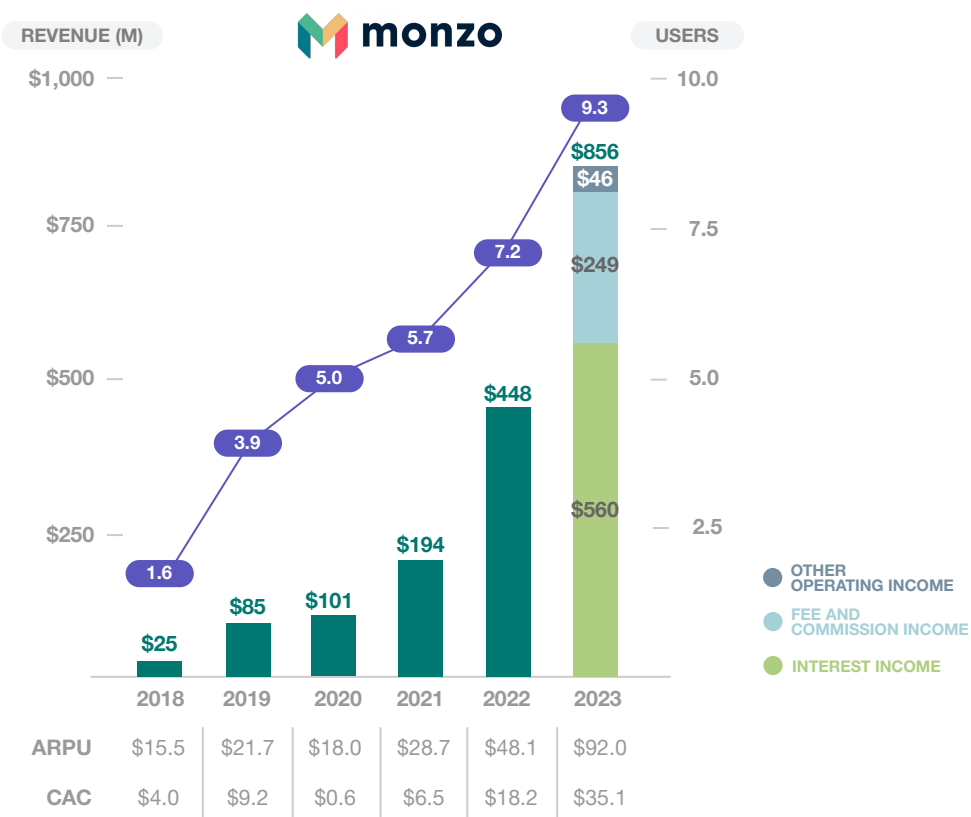
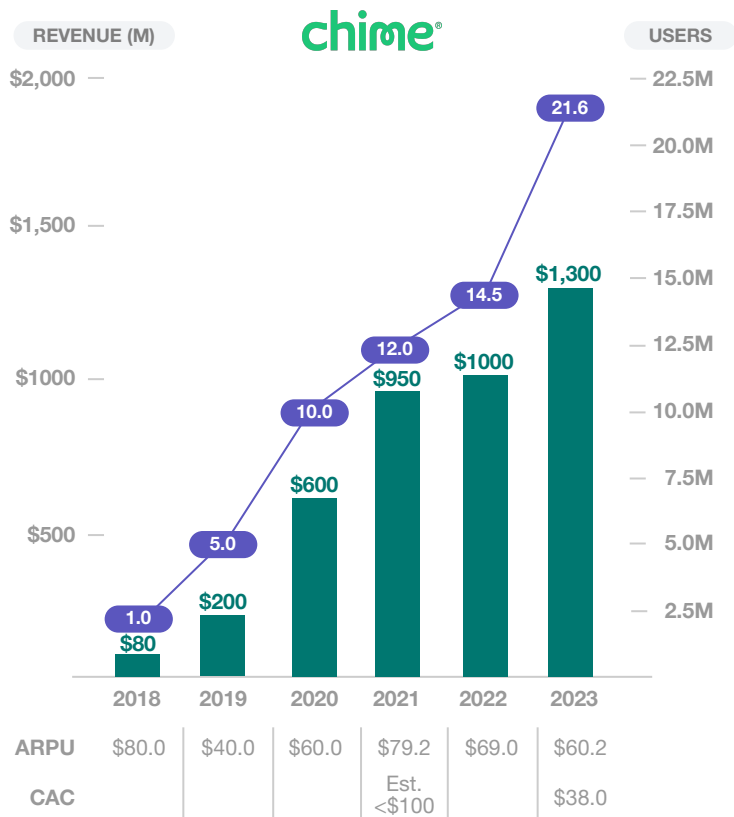


# US neobanks are proving they are a force to be reckoned with – catching users with consumer-friendly hooks that were wedges into deeper financial relationships



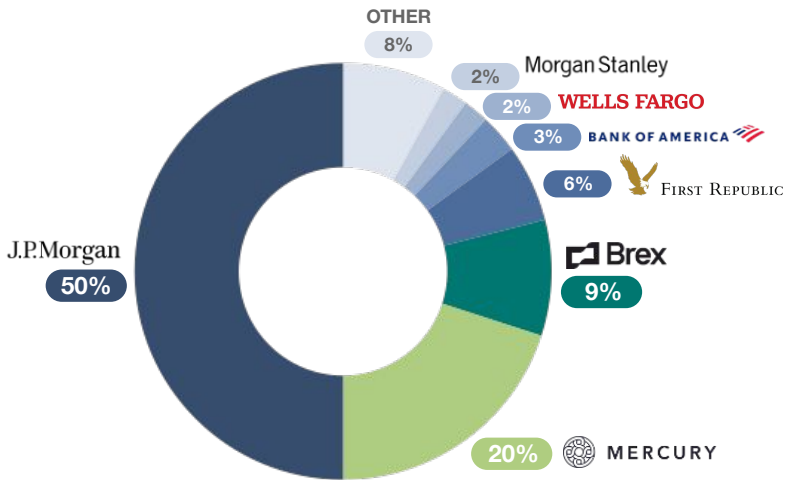
Source: Company 10-Ks, news outlets

# Chime in the US and Monzo in the UK have scaled meaningfully

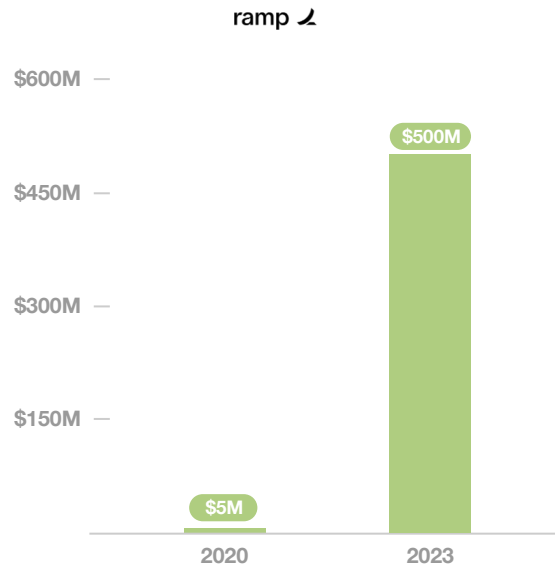


# Business neobanks are beginning to make inroads to the SMB and startup segments with software-led products

SVB DEPOSIT OUTFLOWS, MARCH 2023



RAMP GROSS REVENUE, 2020 – 2023



| PLAYER  | WEDGE PRODUCT OFFERING |
|---------|------------------------|
| ramp ↗  | SPEND MANAGEMENT       |
| Brex    | SPEND MANAGEMENT       |
| MERCURY | TREASURY               |
| Relay   | BUDGETING              |

| PLAYER | WEDGE PRODUCT OFFERING |
|--------|------------------------|
| FOUND  | BOOKKEEPING & TAXES    |
| lili   | BOOKKEEPING & TAXES    |
| novo   | WORKING CAPITAL        |
| Rho    | SPEND MANAGEMENT       |



# Non-banks offering financial services are gaining share of consumer wallets, but making even more headway on consumer mindshare

## THE THREAT TO TRADITIONAL BANKS

### Customer loyalty is increasingly fragmented

- Consumers average 5-7 financial accounts with different providers

### Definition of “primary financial relationship” is changing

- Only 38% define it as where their direct deposit goes (down from 53% only three years ago)

### Perception of value and actual usage is shifting to non-bank institutions

- ~46% of Apple’s US customers use Apple Pay
- Starbucks “deposits” rival 85% of US banks
- New BNPL applications will soon exceed new credit card applications
- Target RedCard accounts for ~20% of Target’s \$100B revenue

**Banks will retain a primary financial relationship, but will increasingly compete for consumer loyalty**

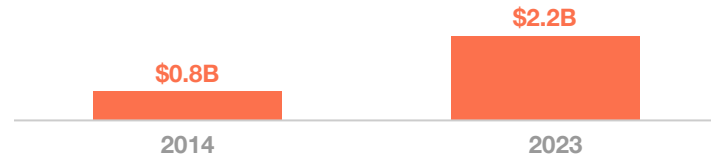
## PAYPAL, VENMO, & CASH APP PEER-TO-PEER VOLUMES



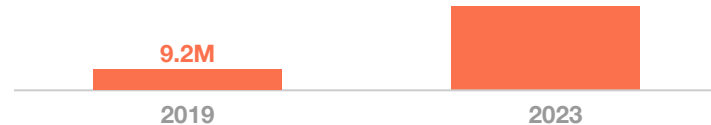
## US APPLE PAY USERS



## STARBUCKS STORED VALUE CARD LIABILITY (“DEPOSITS”)

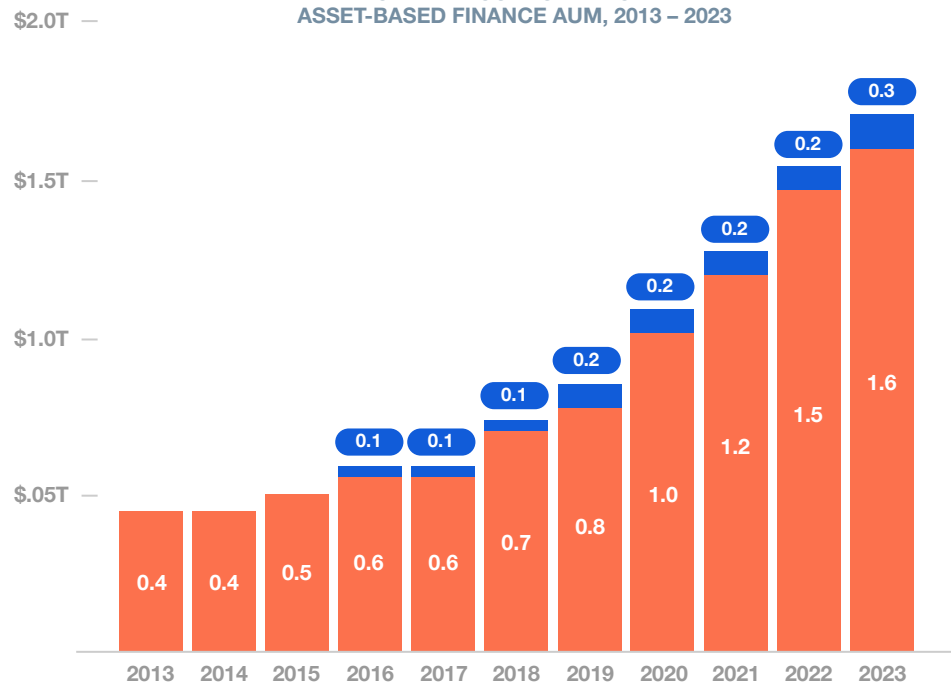


## AFFIRM & KLARNA USERS



# Private credit players are becoming an increasingly important source of capital for companies, and infrastructure layers have emerged to support the asset class

PRIVATE CREDIT – CORPORATE CREDIT AND ASSET-BASED FINANCE AUM, 2013 – 2023



● PRIVATE CREDIT - CORPORATE  
 ● PRIVATE CREDIT - ASSET-BASED FINANCE

19% market share of corp market  
 5% market share of ABF market

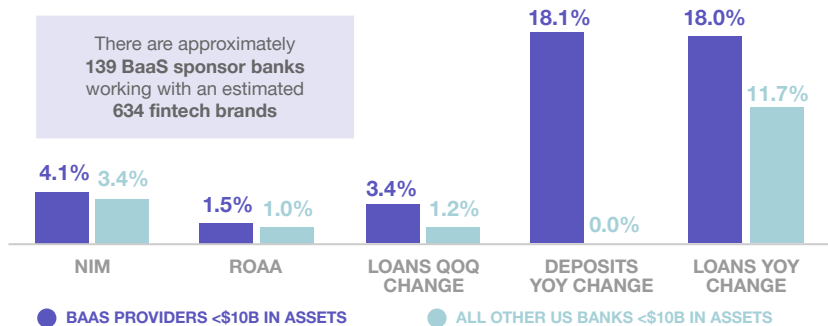
MARKET MAP

| Asset class         | Primary function                               | Players                           |
|---------------------|--|-----------------------------------|
| Corporate credit    | Deal closing and funds flow                    | PactFi                            |
|                     | Portfolio monitoring, reporting and compliance | Lumonic<br>dv01<br>T REX          |
| Asset-based finance | Diligence and deal closing                     | EnFi<br>CASCADE<br>Finley highfi  |
|                     | Capital provision                              | setpoint                          |
|                     | Portfolio monitoring, reporting and compliance | setpoint<br>CASCADE<br>LOANSTREET |

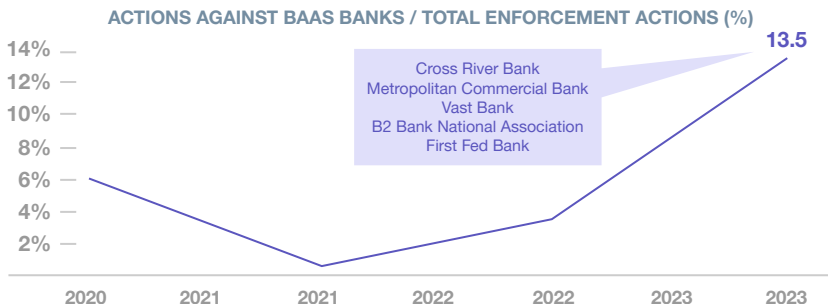
Example productivity metrics (Cascade): 40+ hours saved per month on loan operations; 50% reduction in headcount needs

# While BaaS has been critical to fintech startups, and helps banks attract deposits and new revenue, the regulatory scrutiny is intense

Community banks offering BaaS outperformed peers on several metrics in Q1 2023...

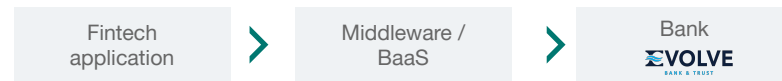


...but regulatory challenges remain and are growing

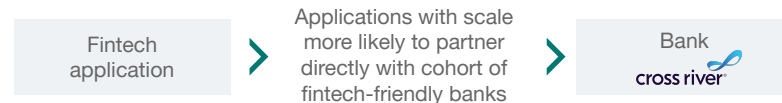


Banks have continued to innovate to combat risk of disintermediation – some licensed banks are directly offering BaaS-like solutions and exposing core banking functionality to fintechs directly

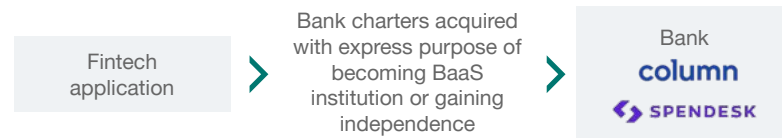
## Wave 1



## Wave 2

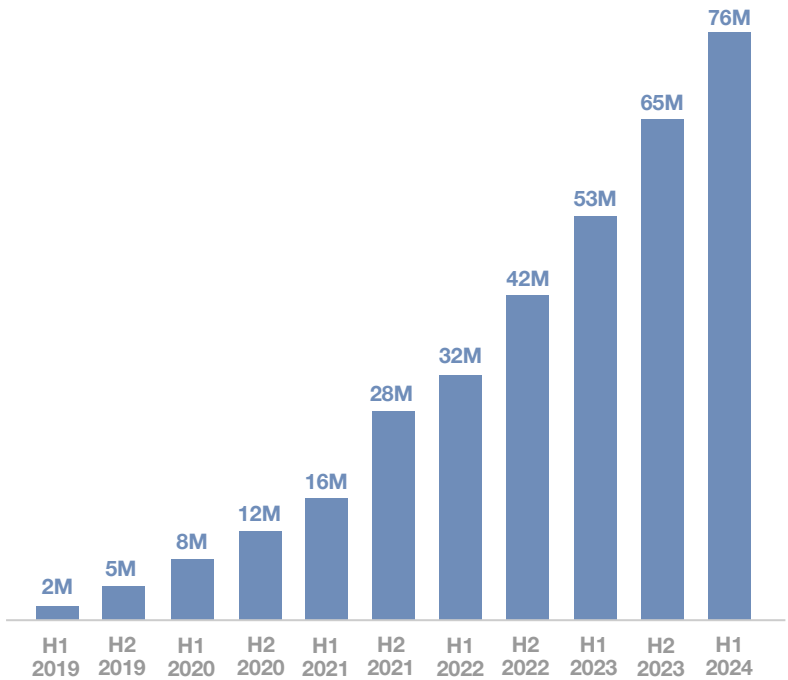


## Wave 3



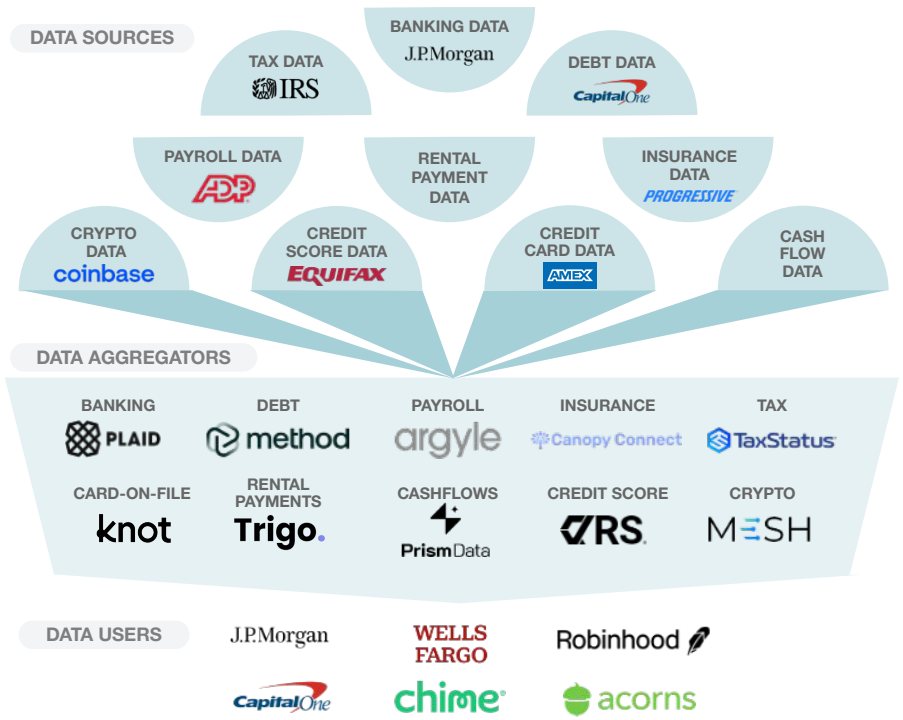
# Open banking was once a competitive threat to incumbent banks, but now presents an opportunity for a fuller financial picture of their users

CONSUMER ACCOUNTS USING FDX API  
H1 2019 – H1 2024



Source: Financial Data Exchange (FCX), F-Prime team analysis

REGULATORS WILL REQUIRE BANKS TO BE DATA SOURCES – BUT BANKS WILL ALSO BE DATA USERS





























# AI will continue to have a broad and deep impact on financial services

|                                  | WAVE 1: SYSTEM OF RECORD   | WAVE 2: SAAS   | WAVE 3: SYSTEM OF AUTOMATION (AI)   |
|----------------------------------|--|--|---|
| <b>Catalyst for adoption</b>     | Business computers   | Web and mobile access, fintech   | Generative AI and machine learning  |
| <b>Impact to business owners</b> | <ul style="list-style-type: none"><li>Record transactions, performance, and other data to optimize business</li></ul>  | <ul style="list-style-type: none"><li>Enable customers to transact online</li><li>Allow staff to take actions to better interact with customers, vendors, and other parties</li></ul>                      | <ul style="list-style-type: none"><li>Enter new markets by more efficiently reaching out to customers and tailoring product</li><li>Decrease cost to operate business by automating repetitive tasks</li></ul>          |
| <b>Business model</b>            | <ul style="list-style-type: none"><li>SaaS fee for month model</li><li>Charge for data or access</li></ul>   | <ul style="list-style-type: none"><li>Fees based on % or \$ of money transacted or held</li></ul>  | <ul style="list-style-type: none"><li>Charge per task completed</li></ul>   |
| <b>Examples</b>                  | <ul style="list-style-type: none"><li>Records of tasks, results, and transactions</li><li>Visualization and calculations based upon records</li><li>Document storage</li></ul> | <ul style="list-style-type: none"><li>Embedded fintech products including payments, lending, deposits, withdrawals, and banking</li><li>Ancillary services including integrated data warehousing</li></ul> | <ul style="list-style-type: none"><li>Creation of marketing material, personalized outreach and responses</li><li>Financial services tailored to individual customer needs</li><li>Automated customer support</li></ul> |

Source: F-Prime team analysis



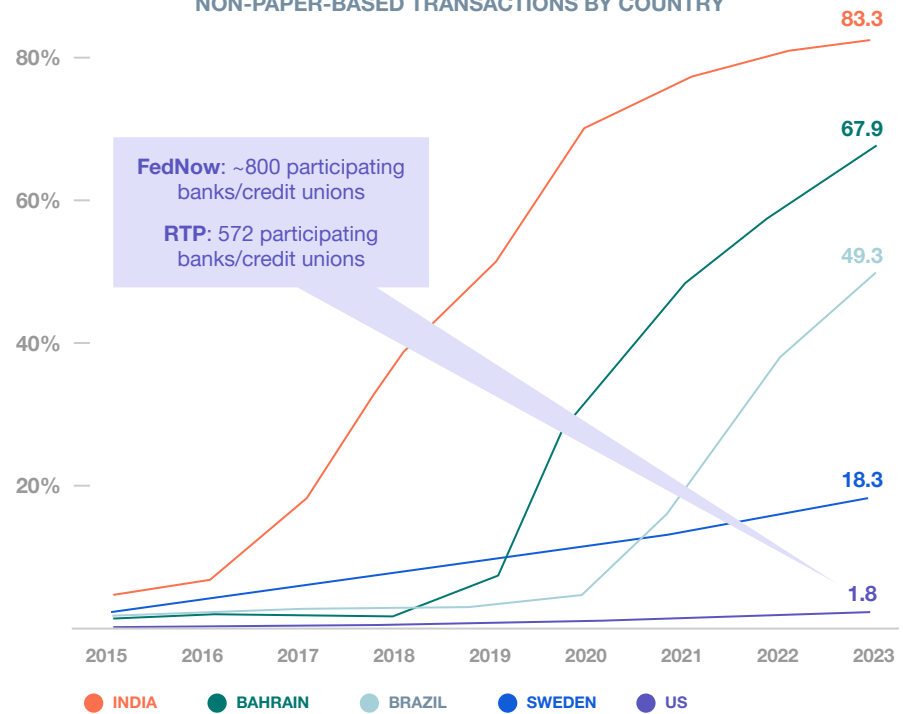
# In banking, onboarding and customer success may be the first workflows made more efficient by advances in AI

|  | LEAD GENERATION  | ONBOARDING  | UNDERWRITING  | COMPLIANCE   | CUSTOMER SUCCESS  |
|--|--|---|---|--|---|
| Activities                               | <ul style="list-style-type: none"> <li>Identify target audience and convert leads to customers</li> <li>Measure and optimize marketing efforts to increase conversion rate and reduce cost-per lead</li> </ul> | <ul style="list-style-type: none"> <li>Open account and onboard clients</li> <li>Introduction to services and education</li> </ul>  | <ul style="list-style-type: none"> <li>Collect and verify personal information for KYC</li> <li>Credit assessments, income verification, appraisals</li> </ul>                                  | <ul style="list-style-type: none"> <li>Compliance with regulatory requirements such as AML and CTF</li> <li>Monitoring transactions for suspicious activities</li> </ul> | <ul style="list-style-type: none"> <li>Understand customer's changing financial needs</li> <li>Educating customers to make informed decisions</li> </ul>  |
| How AI could enhance existing activities | <ul style="list-style-type: none"> <li>Leverage lead-specific data to identify and engage ideal prospects</li> <li>Generate personalized outreach campaigns</li> </ul>   | <ul style="list-style-type: none"> <li>Boost customer conversions and reduce fraud</li> <li>Reduce operational costs, save time, increase workforce efficiency</li> </ul> | <ul style="list-style-type: none"> <li>Improved credit assessments with real-time data inputs</li> <li>Reduced time spent on manual review and tailored credit policies for segments</li> </ul> | <ul style="list-style-type: none"> <li>Leverage synthetic data and ML to detect and prevent fraud</li> <li>Enhanced agility, reduced data latency</li> </ul>             | <ul style="list-style-type: none"> <li>Provide full customer service automation outside of bank branch hours</li> <li>Enhance banks' value proposition with personalized product offerings</li> </ul> |
| Example startups                         |    |         |                              |    |                                 |
|  |    |         |                              |    |                                 |
|  |  |   |   |    |                                 |

Source: F-Prime team analysis

# Real-time payments adoption, while slow to ignite in the US, will require new infrastructure and tooling for money moving at the speed of the internet

REAL-TIME PAYMENTS SHARE IN NON-PAPER-BASED TRANSACTIONS BY COUNTRY



FedNow: ~800 participating banks/credit unions  
 RTP: 572 participating banks/credit unions

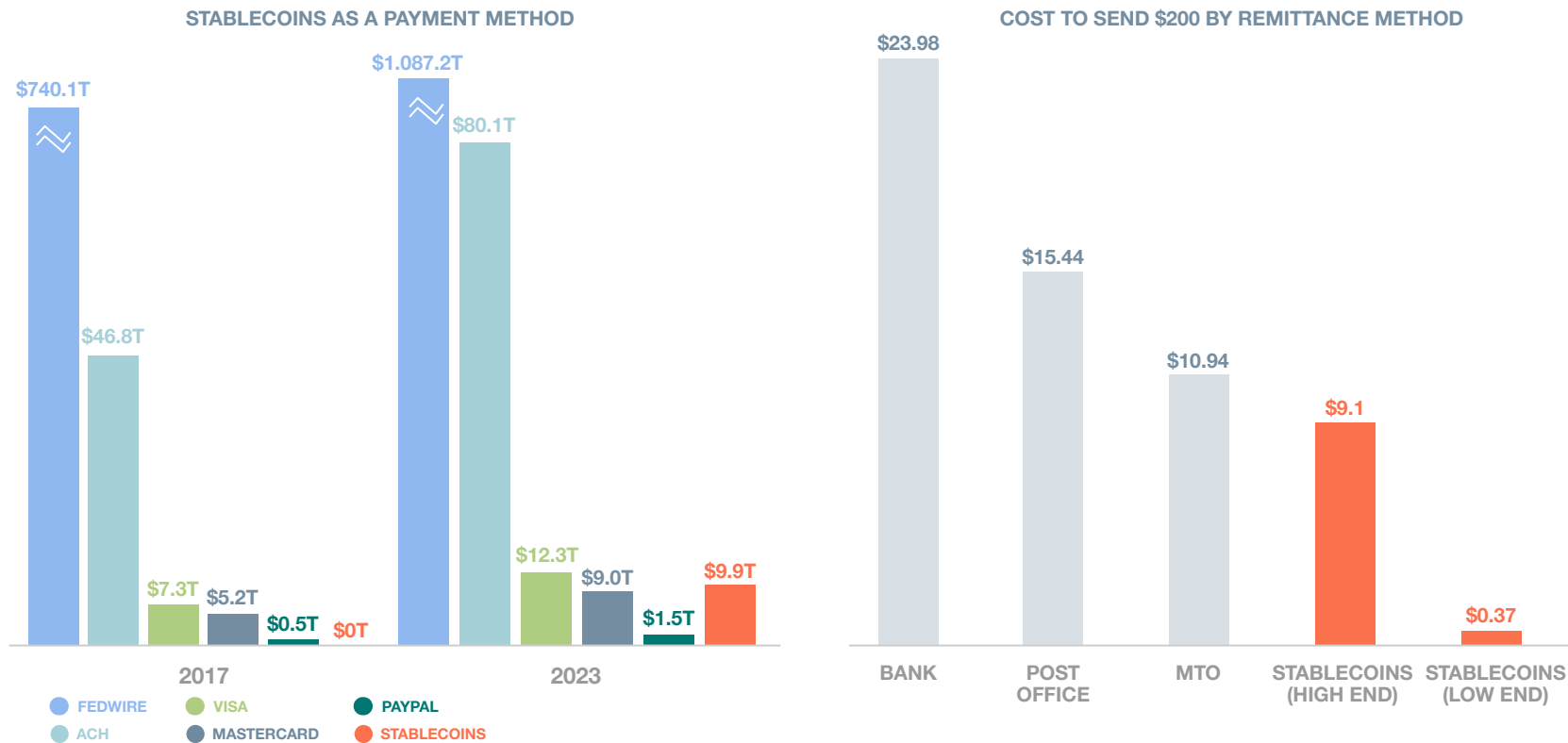
## THE OPPORTUNITY, THREAT, AND CHALLENGE FOR BANKS

- **There is a real benefit for banks to participate in real-time payments networks:** not only cost savings from ATM operations and handling cash/checks, but a revenue opportunity – businesses and consumers are willing to pay for speed
- **But there are also perceived threats:** some banks are concerned that real-time transactions could cannibalize other revenue-generating payment methods (e.g., wire transfers)
- **With the opportunity comes infrastructure challenges...** authorized push payments fraud, instant reconciliation, ERP integration, interoperability between RTP and FedNow should be top of mind – requiring costly and operationally challenging upgrades to existing technology and procedures
- **...and implications across different functions:** the most significant functional change will happen to CFO/finance teams who will juggle handling liquidity and treasury management on a real-time basis
- **Early adoption is driver primarily by consumer use cases:** e.g., account funding, bill pay, earned wage access – “pseudo-RTP” players like Venmo, Cash App, and Zelle are early indicators of demand (Zelle volume is on pace to reach \$1T run-rate volume by end of 2024)

| Infrastructure          |         | Consumer use cases | Business use cases |
|-------------------------|---------|--------------------|--------------------|
| FedNow / RTP /A2A rails | Fraud   |                    |                    |
| Orum                    | sardine | Link Money         | TRICE              |
| ASTRA                   | ALLOY   | Catch              | Banked :           |
| Alacriti                | Unit21  | SIONIC             | finzly             |

Source: ACI Worldwide, Forbes, F-Prime team analysis

## Stablecoin transaction volume is already approaching that of traditional networks, and there are long-term cost advantages not yet realized



# Large banks and other financial players are launching their own stablecoins

## J.P. Morgan

JP Morgan creates first US bank-backed crypto-currency

Markets

### JPMorgan Says JPM Coin Now Handles \$1 Billion Transactions Daily

- JPM Coin allows blockchain-based payments by wholesale clients
- Token is a rare instance of live blockchain use by a big bank

| COIN                         | JPM COIN   |
|------------------------------|--|
| (Potential) use cases        | <ul style="list-style-type: none"> <li>• Payments settlement between clients in wholesale payments business</li> <li>• Treasury management / liquidity management</li> </ul> |
| Launch date                  | 2019   |
| Estimated transaction amount | \$1B daily   |

## PayPal

Aug 7, 2023

in f X

PRODUCT • PAYPAL • INNOVATION • CRYPTOCURRENCY

### PayPal Launches U.S. Dollar Stablecoin

PayPal USD (PYUSD) is fully backed by U.S. dollar deposits, short-term U.S. treasuries and similar cash equivalents, and can be redeemed 1:1 for U.S. dollars.

Apr 6, 2024

in f X

PRODUCT • XOOM • INNOVATION • CRYPTOCURRENCY

### Xoom Enables PayPal USD as a Funding Option for Cross-Border Money Transfers

| COIN                         | PYUSD  |
|------------------------------|--|
| (Potential) use cases        | <ul style="list-style-type: none"> <li>• Payment options for e-commerce and point-of-sale transactions</li> <li>• Peer-to-peer cross-border payments (Xoom)</li> </ul> |
| Launch date                  | 2023   |
| Estimated transaction amount | \$14M daily  |

Source: Bloomberg, BBC, Visa Onchain Analytics



# About F-Prime Capital

We create and invest in technology and healthcare companies that impact lives all over the world. We have over 300 companies in our portfolio including 23 that we started. Our global portfolio spans the US, Europe, and Asia.



## 50+ years

of investing in iconic companies -  
from Atari to Alibaba to AppsFlyer

## 300+ companies

Fintech, Enterprise software, and Healthcare

## 100+ investors

Our global platform has resources and expertise in North America, Europe, China, Japan, India, and Israel

## \$11B+ AUM

Along with our international sister fund Eight Roads Ventures, we are dedicated to supporting fearless founders around the globe

**Note:** Above listing is a sample of companies in the F-Prime and Eight Roads portfolio



# F-Prime Technology Team



**Abdul Abdirahman**  
*Principal*



**Amrit Ramesh**  
*Data Scientist*



**Ayla Schlosser**  
*Platform Director*



**Betsy Mulé**  
*Senior Associate*



**David Jegen**  
*Managing Partner*



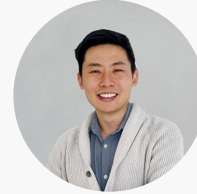
**Gaurav Tuli**  
*Partner*



**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*