



Pulse of Fintech H1'23

Global analysis of fintech funding

July 2023

kpmg.com/fintechpulse



Welcome message

The first six months of 2023 were quite challenging for the global fintech market. Some of the challenges were expected — high levels of inflation, rising interest rates, the ongoing conflict between Russia and the Ukraine, depressed valuations, and a lack of exits; others were less so, including the collapse of several banks in the US.

But while both total fintech funding and the number of fintech deals globally dropped from \$63.2 billion across 2,885 deals in H2'22 to \$52.4 billion across 2,153 deals in H1'23, the news wasn't all negative. Despite market turbulence and declining funding in both the EMEA and ASPAC regions, the Americas saw fintech funding climb from \$28.9 billion in H2'22 to \$36 billion in H1'23.

Several fintech subsectors also saw strong levels of funding in H1'23. At mid-year, funding in logistics and supply chain-focused fintech was well above all previous annual totals (\$8.2 billion), while the \$1.7 billion funding in ESG-focused fintech was ahead of 2022's total.

Looking back on the first half of 2023, fintech investor sentiment can be characterized as highly selective. Consider some of the key trends we've seen across the fintech sector over the past six months:

- Increasing focus on operational efficiency, sustainable cash flows, and profitability — both from investors and from fintechs looking to delay their next funding rounds.
- Continued resilience of the payments space — particularly payments infrastructure.

- Declining crypto funding in the wake of sector challenges, combined with increasing focus on broader blockchain solutions.
- Rapidly growing interest in potential use cases for generative AI, particularly in cybersecurity, insurtech, and wealthtech.

Heading into the second half of 2023, market challenges are expected to continue — which could make for another bumpy six months. AI is expected to be a hot topic of conversation — and likely funding — even if fintech activity remains subdued. As the market begins to stabilize, however, funding in fintech will likely perk up. Payments, in particular, is well positioned to see funding continue and accelerate, in addition to insurtech and wealthtech. Should market conditions improve, M&A activity could also start to climb again as PE investors and corporates look for good deals.

Whether you're the CEO of a large financial institution or the founder of an emerging fintech, it's critical to consider how your company can grow sustainably and profitably even in these uncertain times. As you read this edition of Pulse of Fintech, ask yourself: **How can we position our organization to weather today's storms while positioning for long-term success?**

KPMG Fintech professionals include partners and staff in over 50 fintech hubs around the world, working closely with financial institutions, digital banks and fintech companies to help them understand the signals of change, identify the growth opportunities and develop and execute their strategic plans.



Anton Ruddenklau

Global Leader of Fintech,
Partner and Head of Financial
Services Advisory
KPMG in Singapore

All currency amounts are in US\$ unless otherwise specified. Data provided by PitchBook unless otherwise specified.

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Global fintech funding in H1'23 recorded \$52.4B with 2,153 deals

Global fintech funding falls to \$52 billion as headwinds persist

Global funding in fintech declines despite solid increase funding in the Americas

Global funding fell from \$63.2 billion across 2,885 deals in H2'22 to \$52.4 billion across 2,153 deals in H1'23. Q2'23 results were particularly soft, with just under \$18 billion invested globally — the lowest level of fintech funding seen since Q3'17. While fintech funding rose in the Americas, from \$28.9 billion across 1,323 in H2'22 to \$36 billion across 1,011 deals in H1'23 (including \$34.9 billion across 809 deals in the US), funding in the other key regions declined significantly. In the EMEA region, fintech funding dropped from \$27.3 billion across 963 deals in H2'22 to \$11.2 billion across 702 deals in H1'23, while in the ASPAC region it dropped from \$6.7 billion across 583 deals to \$5.1 billion across 432 deals.

Fintechs focusing on improving efficiencies as investors hold back amid market uncertainty

The fintech market globally was very slow in H1'23 as many investors held back from allocating capital given the breadth of headwinds. As inflation remained high, interest rates continued to climb, exits remained illusive,

and start-up valuations saw significant downward pressure, investors enhanced their due diligence processes and put a laser focus on sustainability and profitable business models. With funding less certain and the cost of debt rising, many fintechs also tightened their belts — focusing on improving their operating performance and cash flows in order to make it through the downturn and better attract investors.

US accounts for two-thirds of fintech funding in H1'23; attracts five of the seven \$1 billion+ deals

The US proved very resilient in the first half of the year, attracting \$34.9 billion in fintech funding — just over two-thirds of all funding seen globally — including five of the seven \$1 billion+ deals of H1'23 (i.e. the \$8 billion buyout of Coupa by Thomas Bravo, the \$6.8 billion VC raise by Stripe, and the \$4 billion acquisition of EVO payments by Global Payments). The EMEA region and ASPAC regions each saw one \$1 billion+ deal during H1'23: In EMEA, UK-based energy insights platform company Wood Mackenzie was acquired by Veritas Capital for \$3.1 billion, while in ASPAC, China-based Chongqing Ant Consumer Finance raised \$1.5 billion.

“The entire tech sector is experiencing fierce headwinds at the moment — and fintech is no different. The combination of macroeconomic forces like high inflation and rapidly rising interest rates, combined with fintech-specific challenges — including the collapse of several crypto firms last year and the challenges experienced in the US banking sector earlier this year — saw investors being a lot more conservative with their funding. While H2'23 could remain challenging for fintech funding, as market conditions stabilize, funding will likely rebound.”



Judd Caplain
Global Head of Financial Services
KPMG International

Payments sector remains biggest fintech ticket, attracts over \$16 billion in funding in H1'23

The payments sector attracted the largest share of fintech funding in the first half of 2023, including the three largest deals globally. The sector remained quite attractive in all regions of the world given the perceived resilience of payments models. Within the payments space, however, there was a strong pullback away from BNPL models as investors focused their fundings on more mature, core banking platforms with strong applicability in all economic conditions. Globally, the payments space also saw some M&A activity as companies looked at acquisitions as a mechanism to achieve scale and power expansion activities.

AI and generative AI the talk of H1'23 — poised to drive funding heading into H2'23

Both AI and generative AI attracted a significant amount of attention in H1'23, with both traditional investors and corporates showing keen interest in applications within the fintech space. In H1'23, the big tech giants drove the most visible activity in the generative AI space — particularly in the cybersecurity sector with Microsoft's launch of Security Copilot and Google's announcement

of its Security AI Workbench.¹ Interest in AI and generative AI-driven solutions is only expected to accelerate heading into H2'23; in addition to cybersecurity solutions, both wealth management and insurance applications will likely be high on the radar of fintech investors.

Trends to watch for in H2'23

- Strong acceleration in interest and funding in AI solutions aimed at fintech subverticals, particularly cybersecurity, wealthtech, and insurtech.
- Additional take-private deals in the insurtech space should public market performance continue to be suboptimal.
- Continued consolidation in the payments space, not only globally but also within jurisdictions and regionally.
- Increasing focus on B2B-focused one-stop shop platforms and on B2C single-interface super apps aimed at consumers in emerging markets.
- Democratization of access to a variety of asset classes through fractionalized funding solutions.

¹<https://www.prnewswire.com/news-releases/google-cloud-announces-new-security-ai-workbench-and-ecosystem-expansion-at-rsac-2023-301804984.html>

“ It is still very early days when it comes to the application of generative AI to use cases in financial services. But looking forward, it is an area that is attracting enormous interest and funding— particularly in areas like cybersecurity, regtech, and wealthtech. Over the next six months, we'll start to see an uptick in investors embracing the space as corporates demand ways to leverage generative AI effectively. ”



Anton Ruddenklau
Global Leader of Fintech,
Partner and Head of Financial
Services Advisory
KPMG in Singapore

Global insights — Top fintech trends for H2'23

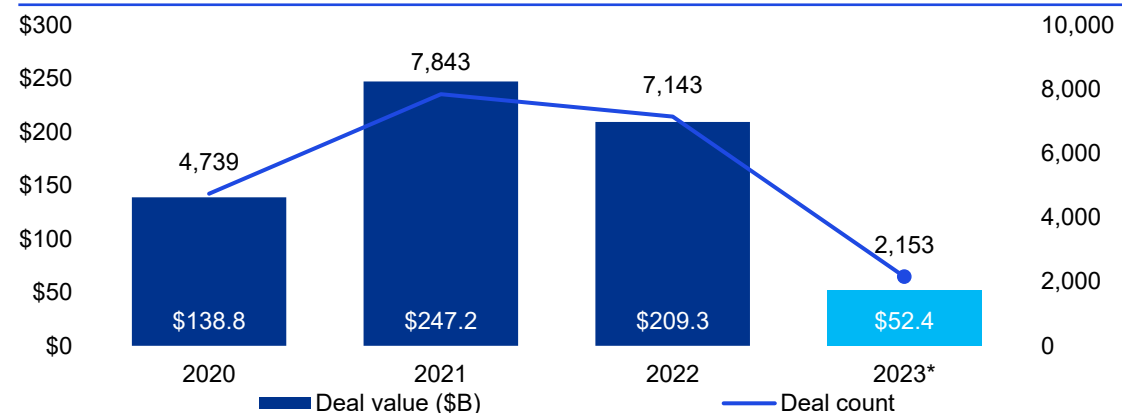
During the first half of 2023, fintech funding was incredibly subdued as many investors pulled back from making major fundings in the face of myriad market challenges, notably high interest rates fundamentally challenging existing business models exacerbated by other macroeconomic challenges, geopolitical tensions, and depressed valuations. With uncertainty expected to be the status quo in the near-term, fintech funding is expected to remain subdued heading into H2'23 — although the long-term outlook for the transformation of financial services remains very positive. Here are our top predictions for fintech in H2'23:

- 1.** Investors will continue to prioritize profitability when making investments: The days of major funding in structurally unprofitable companies has passed. Fintech investors will increasingly prioritize companies able to demonstrate top-line revenue growth, a strong grasp of unit economics and shorter paths to profitability.
- 2.** The payments sector will remain hot across all global markets: Given the breadth and applicability of payments solutions, funding in the payments space will likely remain quite strong; consolidation will likely increase as payments firms look to achieve greater scale and reach, and take advantage of significant scheme changes across all markets.
- 3.** Corporate Ventures will embrace start-ups able to help them operate more seamlessly and efficiently: Corporate fundings will likely focus on solutions able to help their corporate customers operate more effectively and transform digitally — from cybersecurity platforms to solutions that help improve finance, supply chain, logistics, and payments processes.
- 4.** M&A will rise as market conditions improve: at either end of the spectrum - distressed sales, purchases of attractive low valued assets or protective sales – or value accretive M&A, lower valuations will support a burgeoning deal market for incumbents, PE and challenger firms.
- 5.** Interest in AI will continue to accelerate: scaleups will promote their existing AI capabilities as they fundraise and ink up business, whilst new start-up will be incubated and scaled to leverage AI as a step change in operational efficiency and services. Large tech giants will be critical to the development of generative AI fintech solutions given their dependence on robust data and large language models (LLMs).
- 6.** Interest in blockchain and digital asset solutions will increase in the ESG space: With crypto funding is expected to remain soft heading into H2'23 as regulators continue to tighten controls and jurisdictions jockey for position as hubs for responsible crypto funding, other blockchain-based solutions will gain more attention from investors — particularly solutions aligned with ESG and sustainability (such as carbon credits, supply chain traceability, tokenized climate solutions).

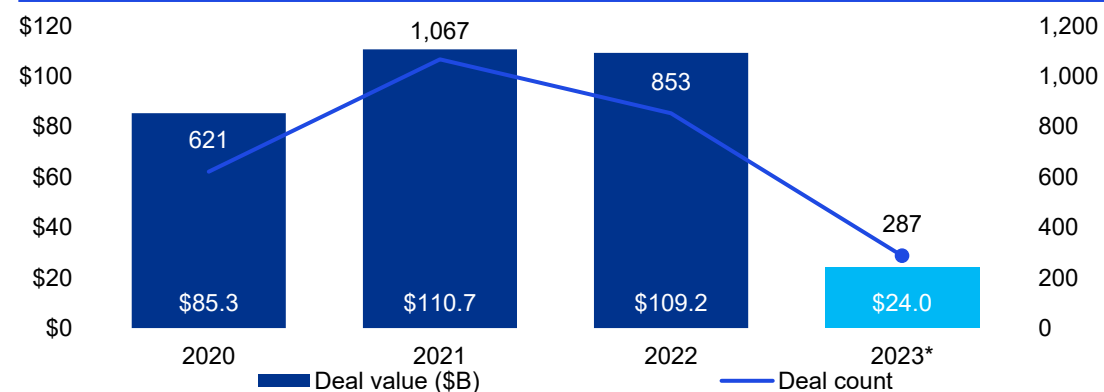
Global insights

Dealmaking remains markedly subdued as volatility remains high

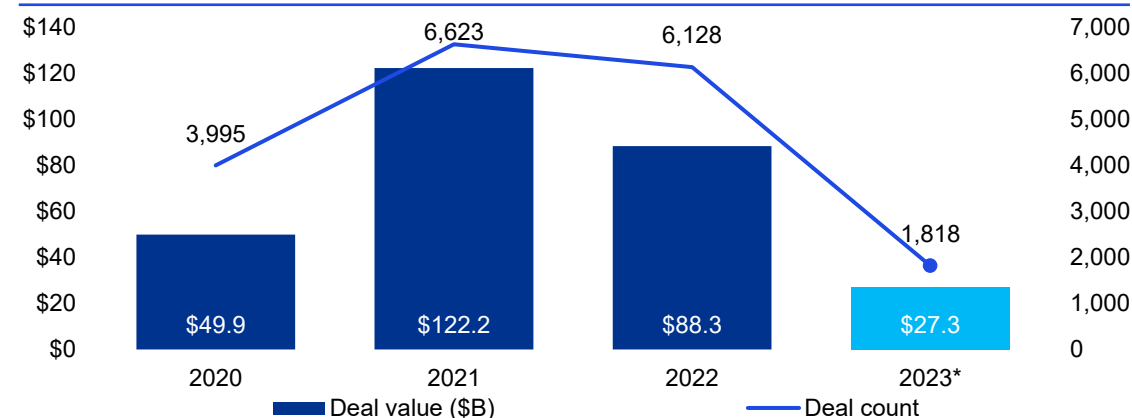
Total global funding activity (VC, PE and M&A) in fintech
2020–2023*



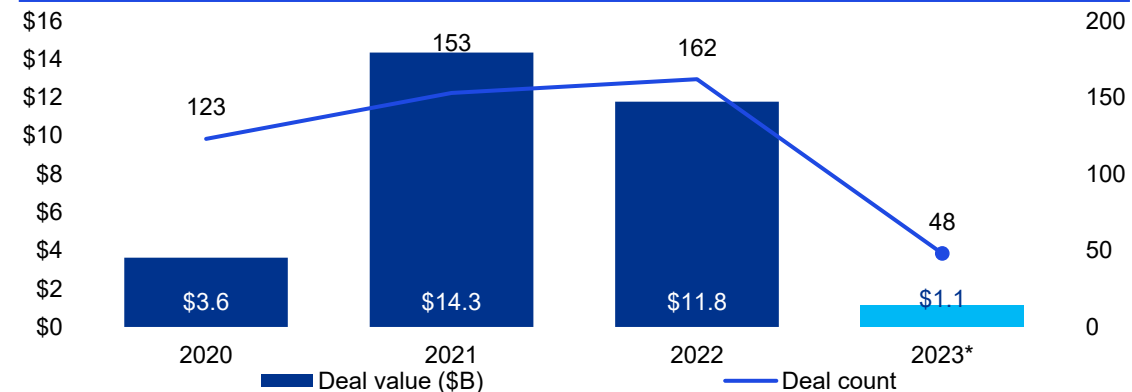
Global M&A activity in fintech
2020–2023*



Global venture capital funding activity in fintech
2020–2023*



Global PE growth activity in fintech
2020–2023*



Source: Pulse of Fintech H1'23, Global Analysis of funding in Fintech, KPMG International (data provided by PitchBook), *as of 30 June 2023.

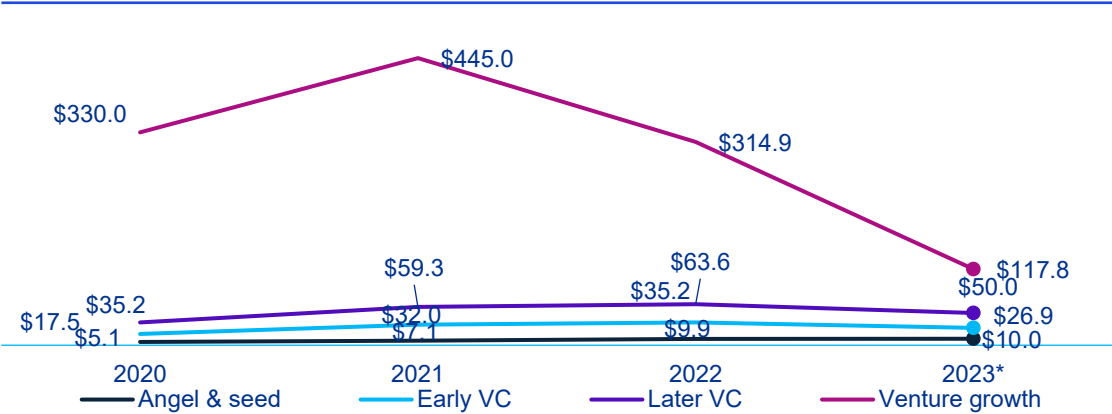
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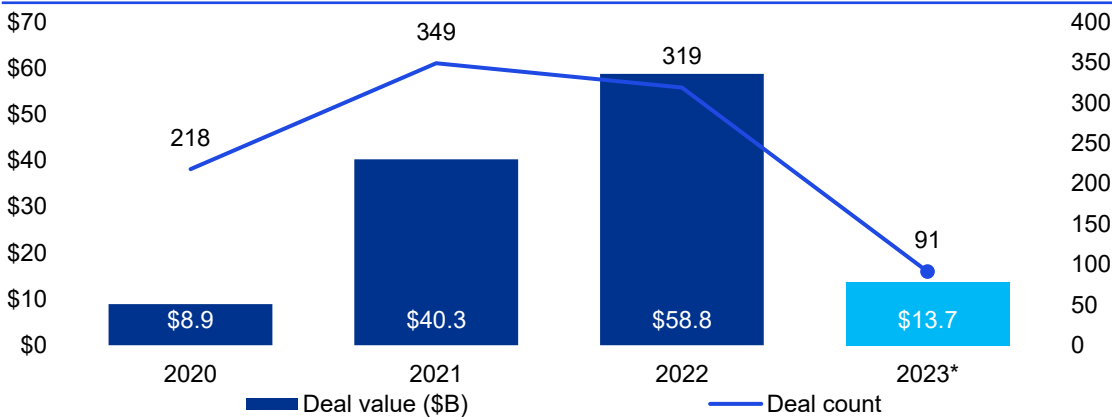
Global insights

Deal metrics finally subside in tandem with activity after all-time highs

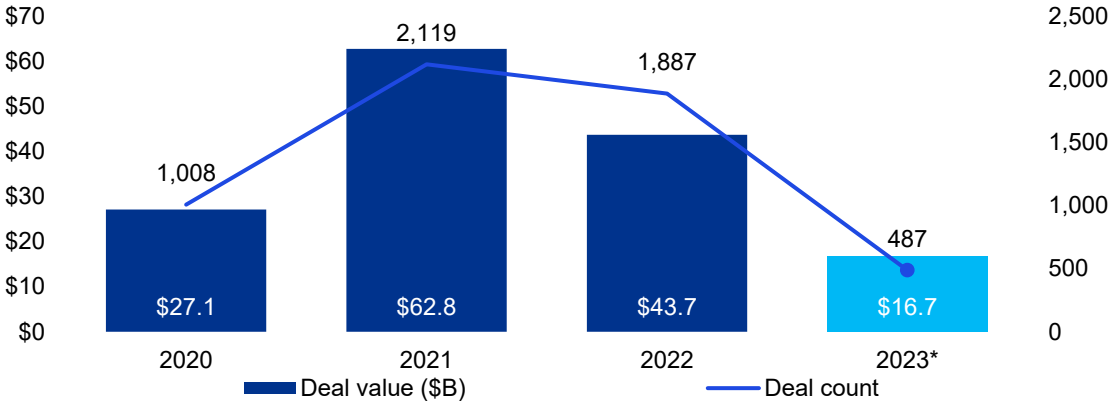
Global median pre-money valuations (\$M) by stage in fintech
2020–2023*



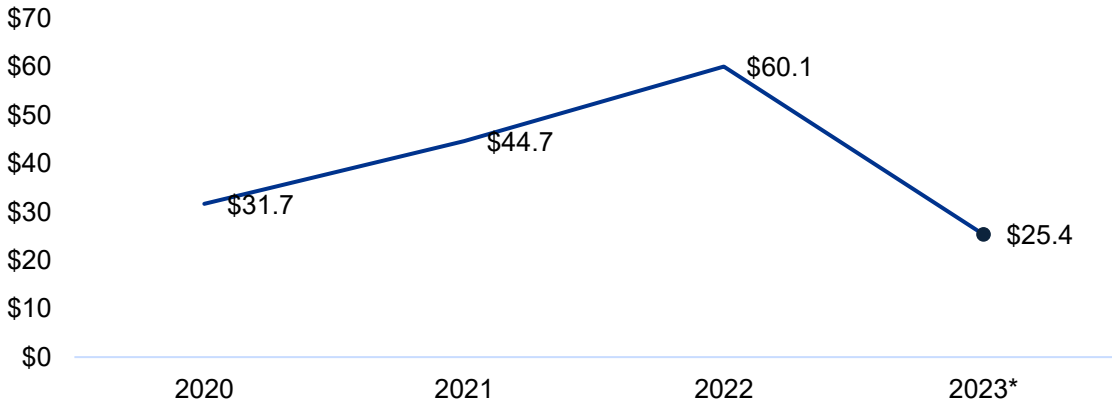
Global cross-border M&A activity in fintech
2020–2023*



Global VC activity in fintech with corporate participation
2020–2023*



Global median M&A size (\$M) in fintech
2020–2023*

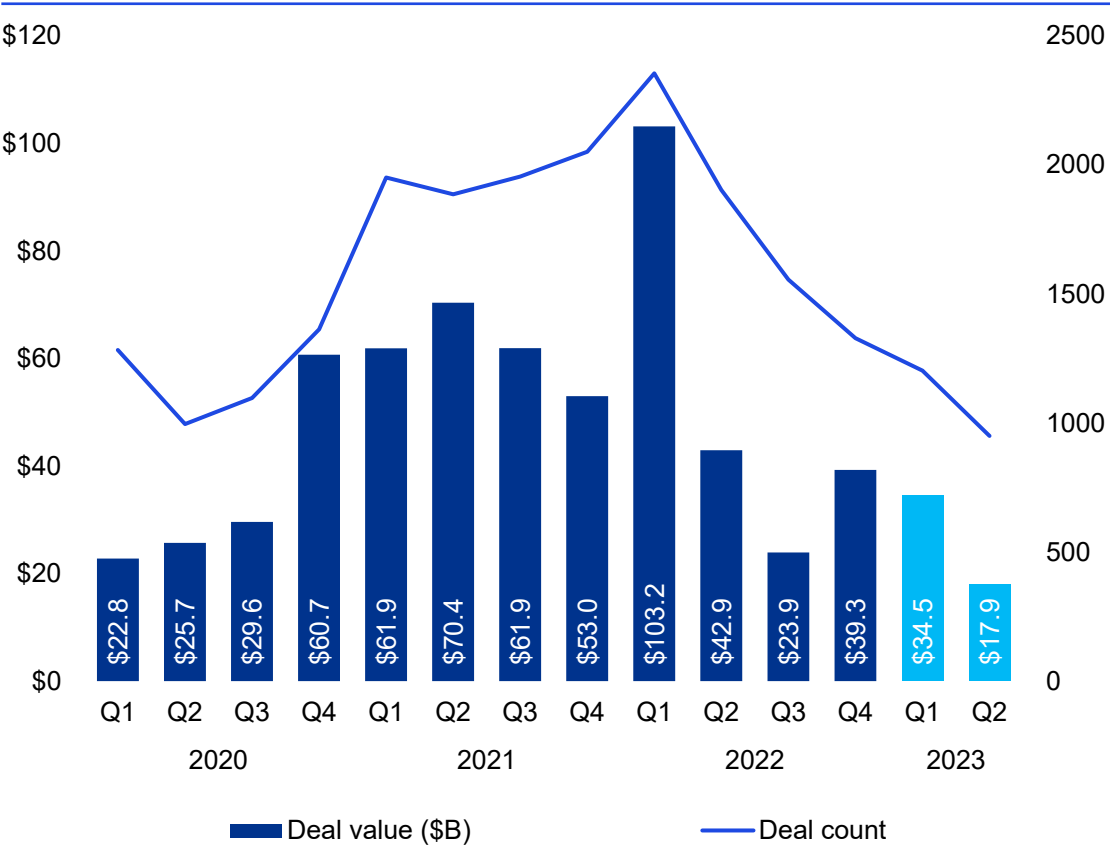


Source: Pulse of Fintech H1'23, Global Analysis of funding in Fintech, KPMG International (data provided by PitchBook), *as of 30 June 2023.

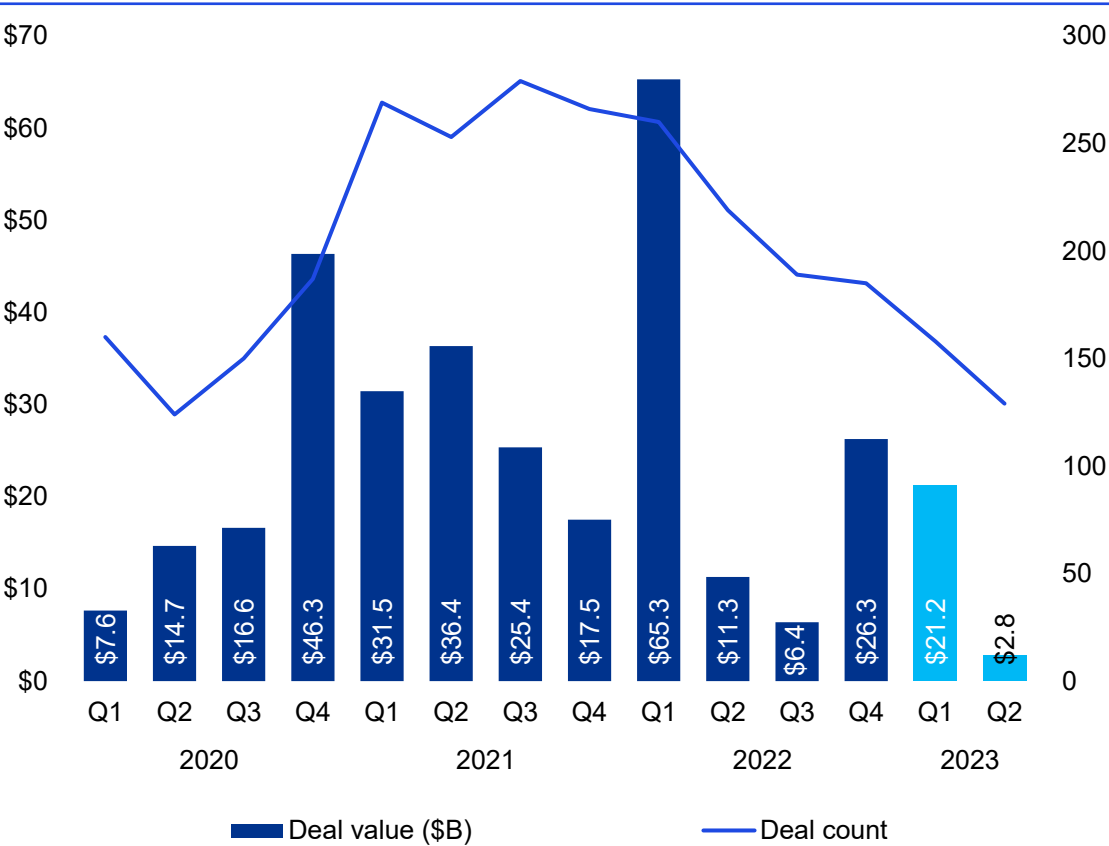
Global insights

Quarterly figures reveal slowing momentum

Total global funding activity (VC, PE and M&A) in fintech
2020–2023*



Global M&A activity in fintech
2020–2023*

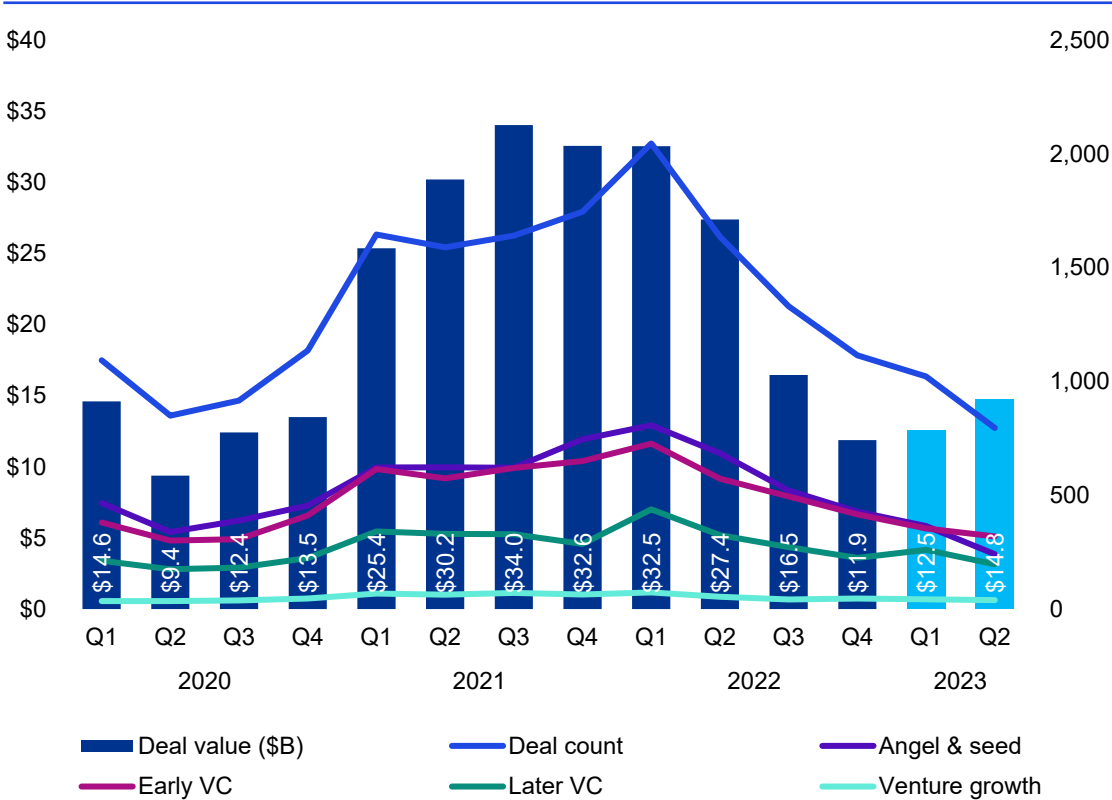


Source: Pulse of Fintech H1'23, Global Analysis of funding in Fintech, KPMG International (data provided by PitchBook), *as of 30 June 2023.

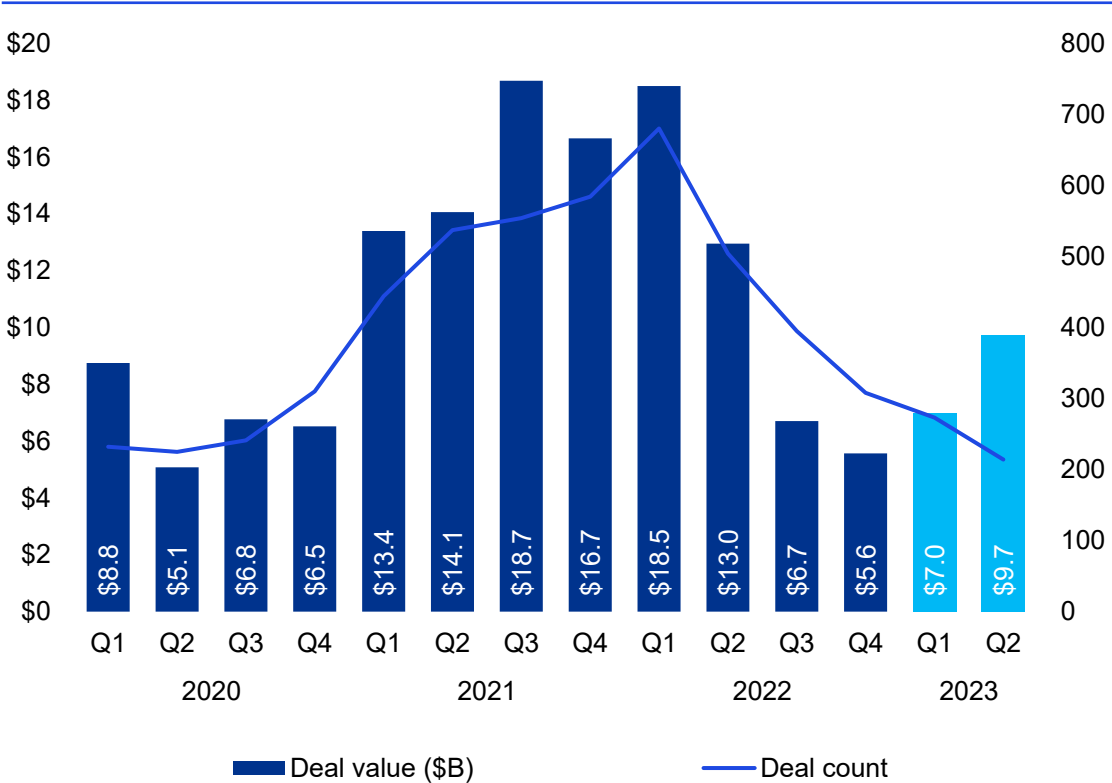
Global insights

Venture capital funding activity remains relatively resilient

Global venture capital funding activity in fintech
2020–2023*



Global venture capital activity in fintech with corporate participation
2020–2023*



Source: Pulse of Fintech H1'23, Global Analysis of funding in Fintech, KPMG International (data provided by PitchBook), *as of 30 June 2023.

Global insights

Top 10 global fintech deals in H1'23

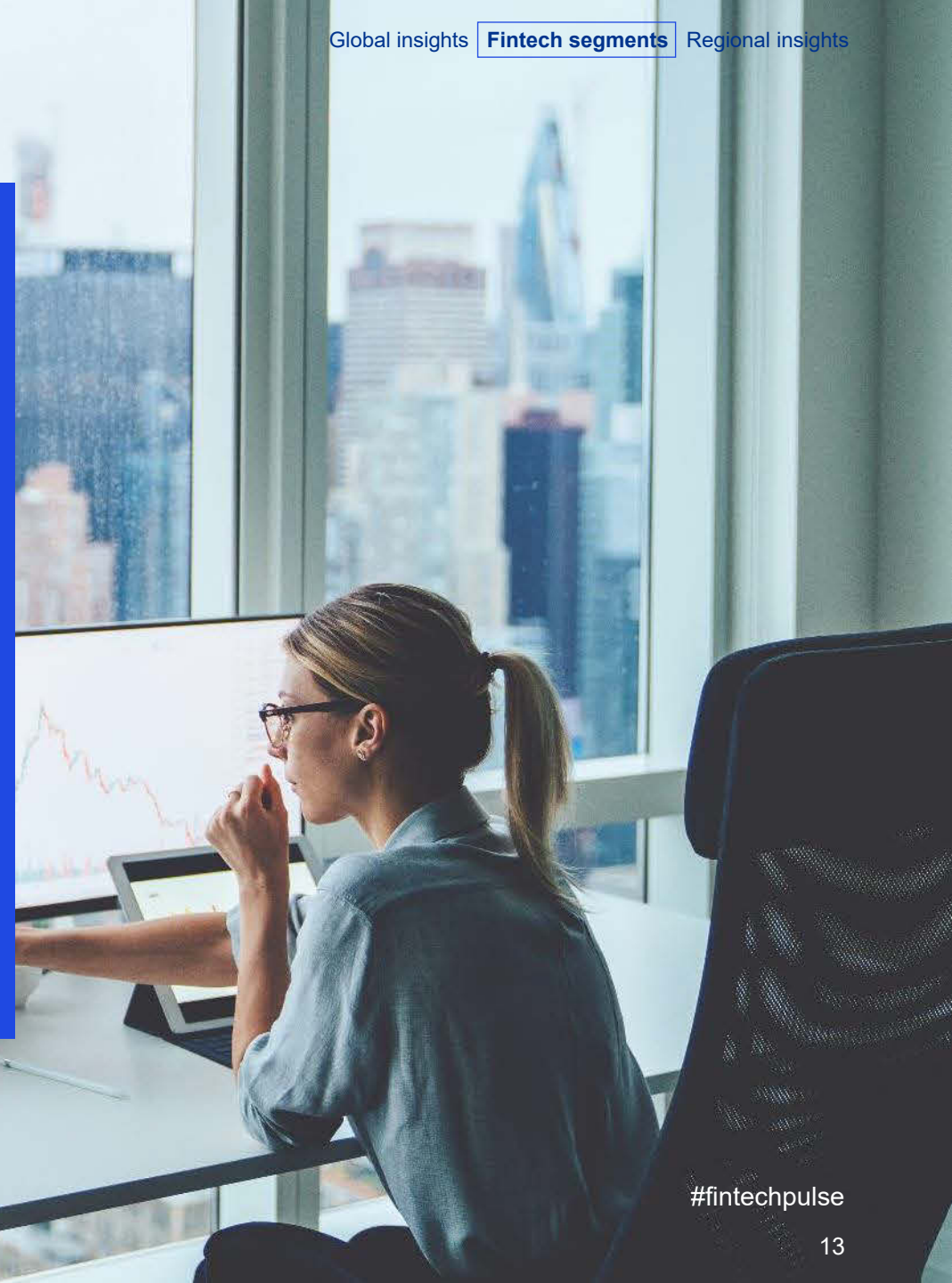


1. **Coupa** — \$8B, San Mateo, US — Institutional/B2B — *Public-to-private buyout*
2. **Stripe** — \$6.9B, San Francisco, US — Regtech — *Series I*
3. **EVO Payments** — \$4B, Atlanta, US — Payments — *M&A*
4. **Wood Mackenzie** — \$3.1B, Edinburgh, UK — Institutional/B2B — *Corporate divestiture*
5. **Duck Creek Technologies** — \$2.6B, Boston, US — Insurtech — *Public-to-private buyout*
6. **Moneygram** — \$1.8B, Dallas, US — Payments — *Public-to-private buyout*
7. **Chongqing Ant Consumer Finance** — \$1.5B, Chongqing, China — Consumer finance — *Late-stage VC*
8. **Paya** — \$1.3B, Atlanta, US — Payments — *M&A*
9. **Generate** — \$880.6M, San Francisco, US — Institutional/B2B — *Late-stage VC*
10. **Abound (Consumer Finance)** — \$602M, London, UK — Consumer finance — *Early-stage VC*

Source: Pulse of Fintech H1'23, Global Analysis of funding in Fintech, KPMG International (data provided by PitchBook), *as of 30 June 2023.

Fintech segments

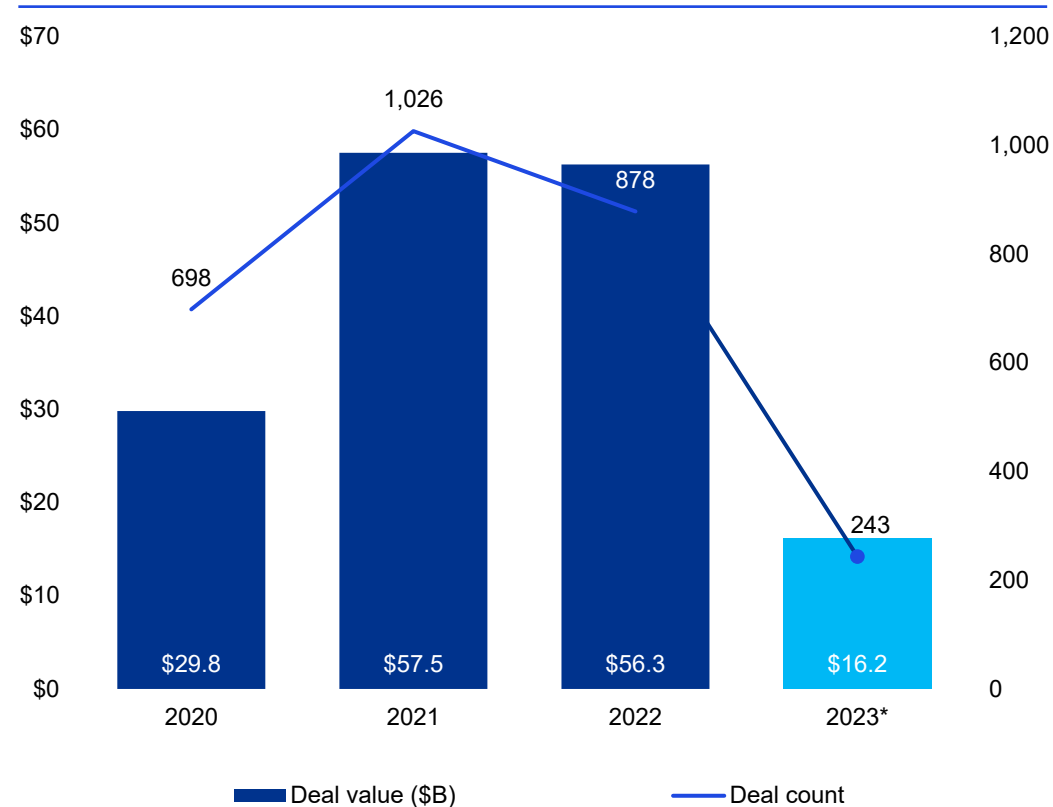
- Payments
- Insurtech
- Regtech
- Cybersecurity
- Wealthtech
- Blockchain/cryptocurrency



Fintech — Payments

Payments deal activity slows amid global macroeconomic uncertainty

Total global funding activity (VC, PE and M&A) in payments
2020–2023*



Source: Pulse of Fintech H1'23, Global Analysis of funding in Fintech, KPMG International (data provided by PitchBook), *as of 30 June 2023.

After two years of incredibly robust funding, the global payments space saw both deal value and deal volume decline significantly in H1'23. Ongoing fears of a global recession, high inflation, and rapid increases to interest rates in many jurisdictions likely contributed to the major slowdown, in addition to the continued downward pressure on valuations. Mature and stable markets — particularly the US and Europe — attracted the vast majority of payments-focused funding during H1'23 as investors prioritized risk-averse deals. Key H1'23 highlights from the payments sector include:

US attracts largest payments deals in H1'23 by far

The US attracted the vast majority of payments activity in H1'23, including the \$6.8 billion VC raise by Stripe, the \$4 billion acquisition of EVO Payments by Global Payments, and the \$1.8 billion acquisition of Moneygram by PE firm Madison Dearborn Partners. Outside of the US, the largest deal in the Americas was a \$60 million raise by Mexico-based spend management firm Clara. In Europe, a \$160 million raise by UK-based The Bank of London accounted for the largest payments deal to date in 2023, while Singapore-based Thunes raised the largest round in the ASPAC region (\$60 million).

Investors rapidly shift focus to core payments capabilities

During 2021 and much of 2022, investors in the payments space embraced a broad range of payments solutions and opportunities — with BNPL companies accounting for many of the largest deals. In H1'23, this focus shifted significantly, with many investors shifting their attention back to fintechs with core payments processing capabilities and robust business models.

Fintech — Payments

Global, regional, and local consolidation driving payments sector activity

Amid economic headwinds and increased market volatility, consolidation was a key factor driving funding activity in the payment space. During H1'23, a number of fintechs embraced acquisitions in order to scale and grow their reach. Global Payments acquired EVO Payments — in part to grow its access to markets such as Poland, Germany, Greece and Chile, but also to help scale its activities in North America. Canada-based Nuvei, meanwhile, acquired US-based Paya (\$1.3 billion) to fuel its US expansion.

Growing use of biometrics to authenticate payments

Over the last six months, there has been a growing focus on the use of biometrics in order to authenticate payments, particularly on the part of retailers in the US. During H1'23, US-based Steak n' Shake launched the ability for customers to use face biometrics for ordering and payments through a partnership with PopID,² while Panera Bread announced plans to allow customers to pay using palm recognition via Amazon's Amazon One technology.

²<https://www.nfcw.com/2023/06/28/384494/steak-n-shake-to-accept-face-biometric-outlets-at-300-us-stores>

What to watch for in H2'23

- Continued multilateral fast payments scheme agreements fuel the market demand for digital payments across all regions.
- Increasing focus on single-interface payments models and super apps to expand access in Africa.
- Continued focus on embedded finance, including a growing focus on collaborations between traditional banks and ERP providers as companies look to enhance the customer experience.
- Further consolidations as market players look to capitalize on lower valuations and good deals.
- Increasing focus on B2B payments, particularly the use of real-time payments, as businesses look to optimize their supply chains, automate processes, and improve their anti-fraud efforts.

“ Given the growing regulatory scrutiny, increased inflation, and decreased customer spend in Q1 and Q2'23, payments deal activity is shifting very quickly away from the big BNPL fintechs that grabbed a significant amount of attention and funding over the last two years towards fintechs with core payments capabilities and less risk averse business models. ”



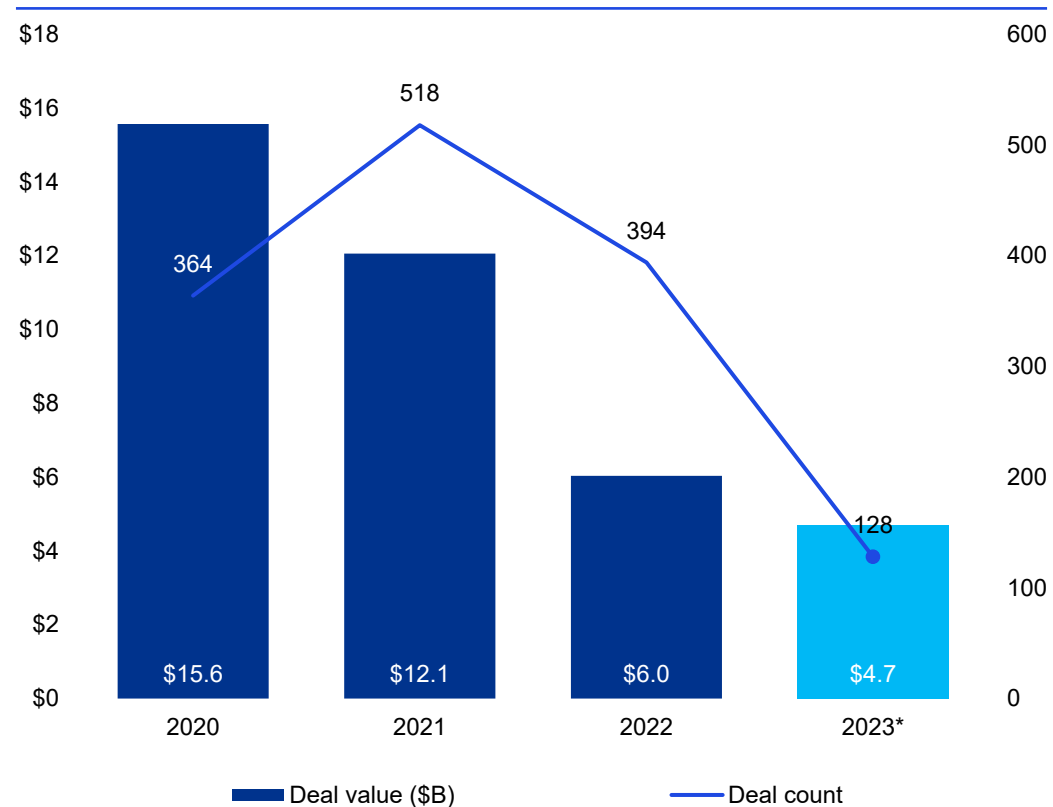
Courtney Trimble

Global Leader of Payments,
Principal, Financial Services
KPMG in the US

Fintech — Insurtech

Insurtech funding bounces back; H1'23 total nearly exceeds 2022 results

Total global funding activity (VC, PE and M&A) in insurtech
2020–2023*



Source: Pulse of Fintech H1'23, Global Analysis of funding in Fintech, KPMG International (data provided by PitchBook), *as of 30 June 2023.

After a large drop-off in funding last year, total funding in insurtech bounced back in the first half of 2023, with H1'23 funding nearly exceeding 2022's total. While funding remained well off pace of the banner years seen in 2020 and 2021, the funding is very positive given the declining funding levels in other areas of fintech. The \$2.6 billion buyout of Duck Creek Technologies by Vista Equity partners helped strengthen funding in H1'23 significantly; the second largest deal of H1'23 was the \$570 million acquisition of benefits administration company Benefitfocus by Voya Financial. Key H1'23 highlights from the insurtech space include:

Public insurtechs being taken private amid rocky public performance

In 2020 and 2021, a number of mature insurtechs — particularly in the US — went public in order to monetize their fundings. Many of these companies have not fared well in the public markets, particularly over the last year as market conditions deteriorated. During H1'23, P&C online insurance enabler Duck Creek Technologies was taken private in a \$2.6 billion deal. Should valuations in the insurtech space remain depressed, there will likely be additional take-private deals as PE firms in particular look for good deals.

Continued focus on risk prevention

During H1'23, there continued to be a strong focus on the risk prevention side of insurance, particularly from general insurance carriers. This focus spanned quite a spectrum, from the use of sensors to detect and prevent leaks and fires before a major issue occurs to mechanisms to prevent and mitigate the impact of cyberattacks. Given the difficulty of pricing emerging risks, insurers have also shown interest in solutions able to help them understand and quantify specific risks in order to better develop related insurance offerings.

Fintech — Insurtech

Global insurtech funding tilts strongly towards US

The US attracted three of the largest deals in the insurtech space during H1'23; in addition to Duck Creek Technologies and Benefitfocus, US-based insurance marketplace Gravie raised \$179 million. The largest deals in other regions included a \$68.8 million raise by Jakarta-based Qoala and a \$110 million raise by Germany-based digital insurance company Wefox.

Insurtech M&A activity slowdown driven by broader trends

Traditional M&A in the insurtech space was soft in the first half of the year. Given the relative strength of insurtech funding outside the M&A space, the slowdown can likely be attributed to general market conditions, including global macroeconomic uncertainty and ongoing geopolitical challenges. Once market conditions stabilize, there will likely be an uptick in insurtech M&A, particularly driven by corporates looking to make strategic funding in digital technology capabilities.

What to watch for in H2'23

- Continued focus on take-private deals, particularly involving companies with very strong technologies and capabilities.
- The ongoing performance of the remaining publicly listed insurtechs — and additional take-private deals should results not improve.
- An increasing focus on the use of AI to underpin insurtech offerings, particularly in claims processes like claims, fraud assessments, and forensics.

“ Heading into H2'23, insurtech funding will likely remain focused more on insurtechs that are ‘enablers’ — providers of point solutions across the insurance value chain — rather than full stack ‘challengers’ — those competing with incumbent insurance carriers. However, it will be interesting to see what happens with the first generation of public insurtech carriers whose valuations, currently, have been significantly impaired in public markets. We may see insurtechs moving away from the full stack model as they realize their core capabilities and competencies center around their enabling technology — not necessarily around being an insurance company. ”



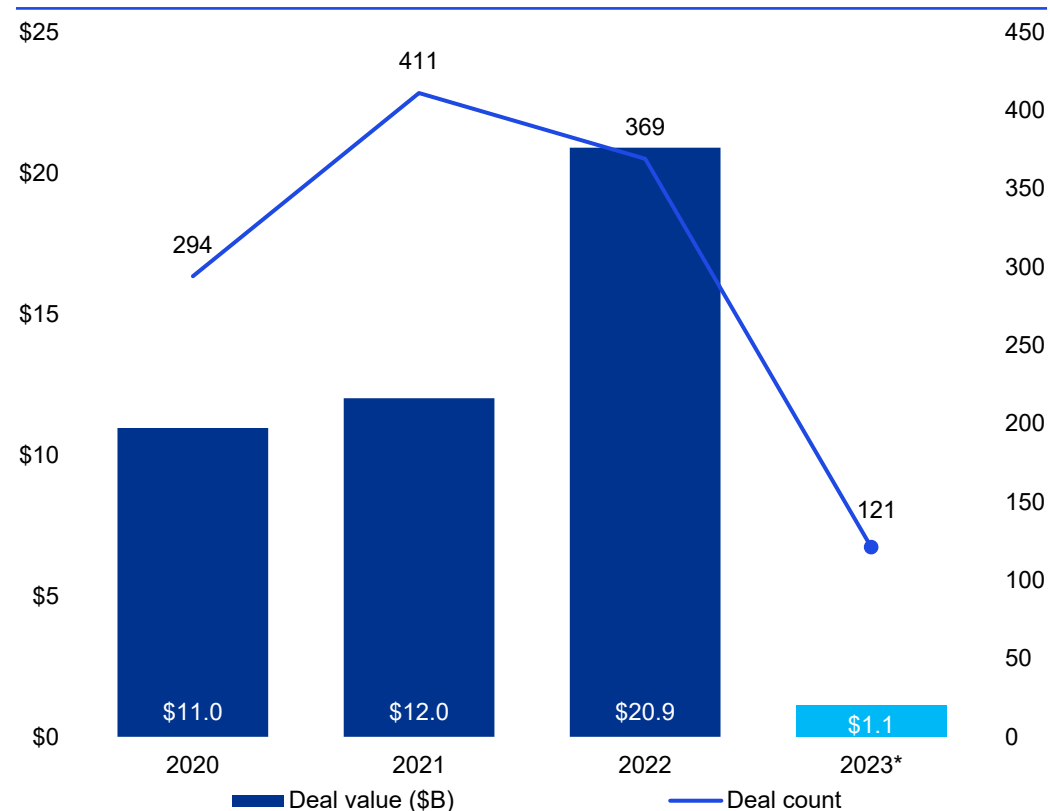
Ram Menon

Global Head, Insurance Deal Advisory
KPMG International

Fintech — Regtech

After record-shattering 2022, VC funding in regtech slows in H1'23

Total global funding activity (VC, PE and M&A) in regtech
2020–2023*



Source: Pulse of Fintech H1'23, Global Analysis of funding in Fintech, KPMG International (data provided by PitchBook), *as of 30 June 2023.

After soaring to a major record high in 2022, total funding in regtech slowed in H1'23.

The largest deal in H1'23 was the \$155 million acquisition of US-based turnkey crypto platform Apex Crypto by Bakkt; the platform's features range from clearing and custody activities to tax services. California-based Accounts Payable automation start-up Tipalti also had a large raise in H1'23, pulling in \$150 million funding. Europe also attracted a series of large deals in the regtech space, led by a \$129 million VC raise by UK-based data intelligence firm Quantexa, a \$77 million series A raise by UK-based Yonder, and a \$53 million raise by Netherlands-based identity management-focused firm Fourthline. In the ASPAC region, Australia-based all-in-one banking-as-a-service platform Constantinople's \$21 million seed round accounted for the largest regtech deal of H1'23. Key H1'23 highlights from the regtech sector include:

Fraud, financial crime, and risk and compliance platforms remain in high demand

Fraud and financial crime platforms continued to attract attention from regtech investors in H1'23, in addition to one-stop shop platforms. Of particular interest was platforms using AI/ML to streamline end-to-end AML and KYC; during H1'23, US-based Quantifind raised \$23 million for its financial crime platform focused on this.

US and Europe remain leaders in regtech

During H1'23, the US and Europe dominated the regtech funding space — driven in part by the maturity of their markets and their existing regulatory regimes. While the ASPAC region continued to lag behind, the \$20 million seed round by Taiwan-based OEN may be a signal that interest is growing in the area. OEN is a one-stop shop cloud platform offering services ranging from security to cloud management.

Fintech — Regtech

Real-time compliance a major focus for regtechs

Globally, regtechs have continued to focus significantly on responding to the demands of their customers, including the demand for real-time compliance monitoring. In particular, regtechs have embraced the use of AI and automation to develop more robust real-time compliance platforms; they are now looking at generative AI as a mechanism to further enhance their real-time compliance monitoring, assessment, and decision response solutions.

Cyber trends likely to drive funding in regtech

Over the last year and more, cyber attacks have continued to grow more complex and sophisticated, becoming increasingly challenging and time consuming for organizations to manage. This trend is leading to growing recognition of the need for robust cyber platforms similar to those developed for preventing, identifying and responding to financial crimes — particularly platforms using AI technologies to provide a more sophisticated response. This could drive additional convergence in solutions focused on the two areas.

What to watch for in H2'23

- Continued focus on M&A, as evidenced by the H1'23 announcement of the \$10.5 billion acquisition of financial risk software firm Adenza by Nasdaq.
- Strengthening interest in the integration of AI, generative AI, and automation in end-to-end compliance platforms.
- Growing funding in regtech as companies look to adhere to the EU's new Digital Operational Resilience Act (DORA) and the Corporate Social Responsibility Directive (CSRD).
- Strengthening focus on one-stop shop platforms that integrate regulatory compliance as a key component.
- Increasing interest and funding in regtech solutions related to ESG and sustainability.

“ The regtech space is evolving at a level of maturity now where we would expect to see growing consolidation as companies pull an array of regtechs under a single umbrella. The recent announcement of the acquisition of risk software firm Adenza by Nasdaq for \$10.5 billion is an excellent example of this, with the deal expected to extend Nasdaq's value proposition into the management of risks and regulatory issues. ”

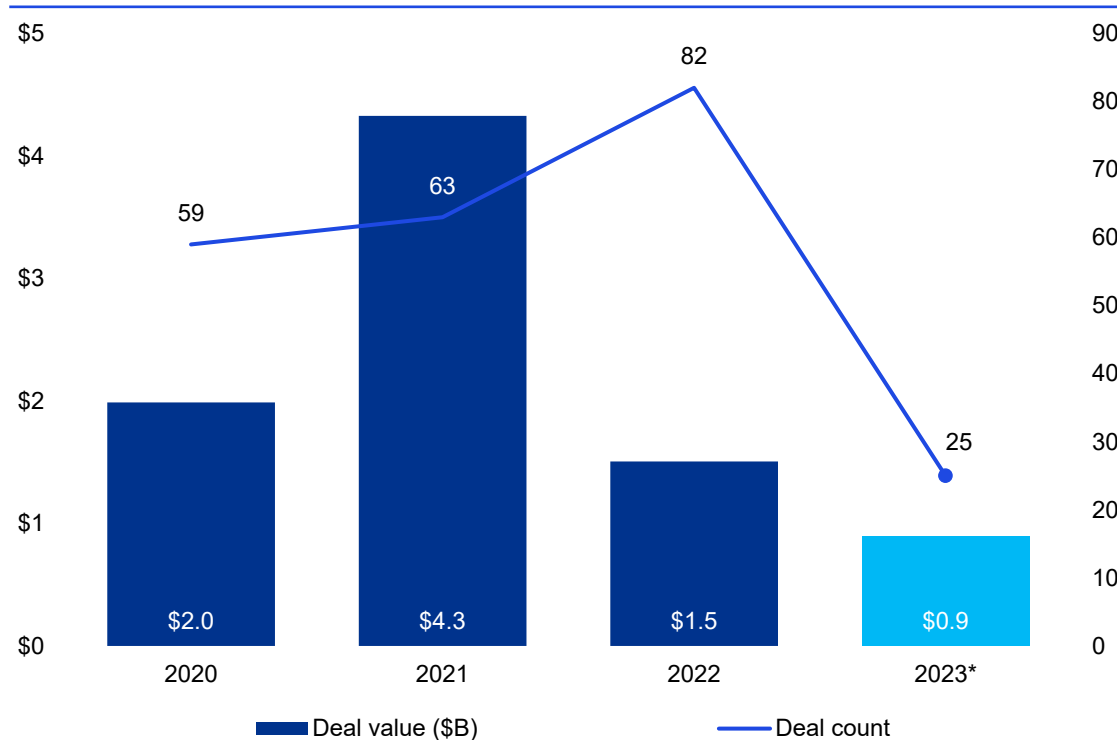


Fabiano Gobbo
Global Head of Regtech
KPMG International

Fintech — Cybersecurity

Global YOY funding in cybersecurity tracking above 2022 at mid-year

Total global funding activity (VC, PE and M&A) in fintech: cybersecurity
2020–2023*



Source: Pulse of Fintech H1'23, Global Analysis of funding in Fintech, KPMG International (data provided by PitchBook), *as of 30 June 2023.

³<https://news.microsoft.com/2023/03/28/with-security-copilot-microsoft-brings-the-power-of-ai-to-cyberdefense/>

⁴<https://www.prnewswire.com/news-releases/google-cloud-announces-new-security-ai-workbench-and-ecosystem-expansion-at-rsac-2023-301804984.html>

Cybersecurity funding globally was very solid in H1'23 — on pace to surpass 2022 totals, although the level of funding remained far below 2021's outlier record high. The number of deals in the cybersecurity space was substantially lower in H1'23 compared to H2'22, likely reflecting the desire of PE and VC investors prioritizing a smaller number of more certain bets. The largest deals of the quarter included a \$493 million VC raise by France-based digital asset security firm Ledger and a \$250 million acquisition of Switzerland-based cryptocurrency custody firm Metaco by US-based settlements firm Ripple. Key H1'23 highlights from the cybersecurity sector include:

Continued acceleration on the use of AI and automation

In H1'23, investors in the cybersecurity space continued to focus significantly on AI, prioritizing bigger plays focused on amping up bigger platforms to incorporate AI-based cybersecurity tools and technologies. This trend has accelerated quite a bit since late 2022, with anything to do with security automation high on the radar of potential investors. The big tech giants have also prioritized AI-based cybersecurity solutions within their own platforms: During H1'23, Microsoft launched Security Copilot — a generative AI-powered defense and response system,³ while Google announced its Security AI Workbench — a B2B-focused solution aimed at enabling security firms to leverage generative AI.⁴

Fintech — Cybersecurity

Mature platform companies and tech giants continue to drive consolidation

While M&A activity was soft in H1'23, there continued to be active interest in acquisitions and consolidations, primarily driven by mature financial services-focused platform players and large tech giants looking to add new tools to their toolbox or to expand their security capabilities. The large number of small and mid-sized start-ups with bespoke cybersecurity solutions makes the sector particularly ripe for consolidation as larger players look to better respond to their customers' needs and wants.

Cloud security gaining attention

Cloud security continues to be an active area of cybersecurity funding, driven by companies grappling with how to keep their data secure in the cloud or across multiple cloud providers. In recent years, regulators have also increased their focus on cloud security (e.g. the EU's Digital Operational Resilience Act), guided by the realization of how fast companies made the cloud transition during the pandemic and awareness of the growing threat of cyberthreats and cyber risks to the resilience of organizations.

What to watch for in H2'23

- Rapidly increasing focus on platforms that allow customers to consolidate their antiquated security activities and disparate security tools.
- Evolving privacy and data regulations will likely keep data security and cloud security top of mind for both corporates and investors.
- Growing use of AI and automation across the cybersecurity spectrum.

“Everyone needs to automate. If companies can't find the indicators of compromise more quickly, they'll need to deal with the inevitability of attackers finding easier and faster ways into their infrastructure — even in the cloud. This recognition is driving a lot of interest in the space, particularly from insurance companies looking to better understand and manage the underwriting process related to cybersecurity risks.”



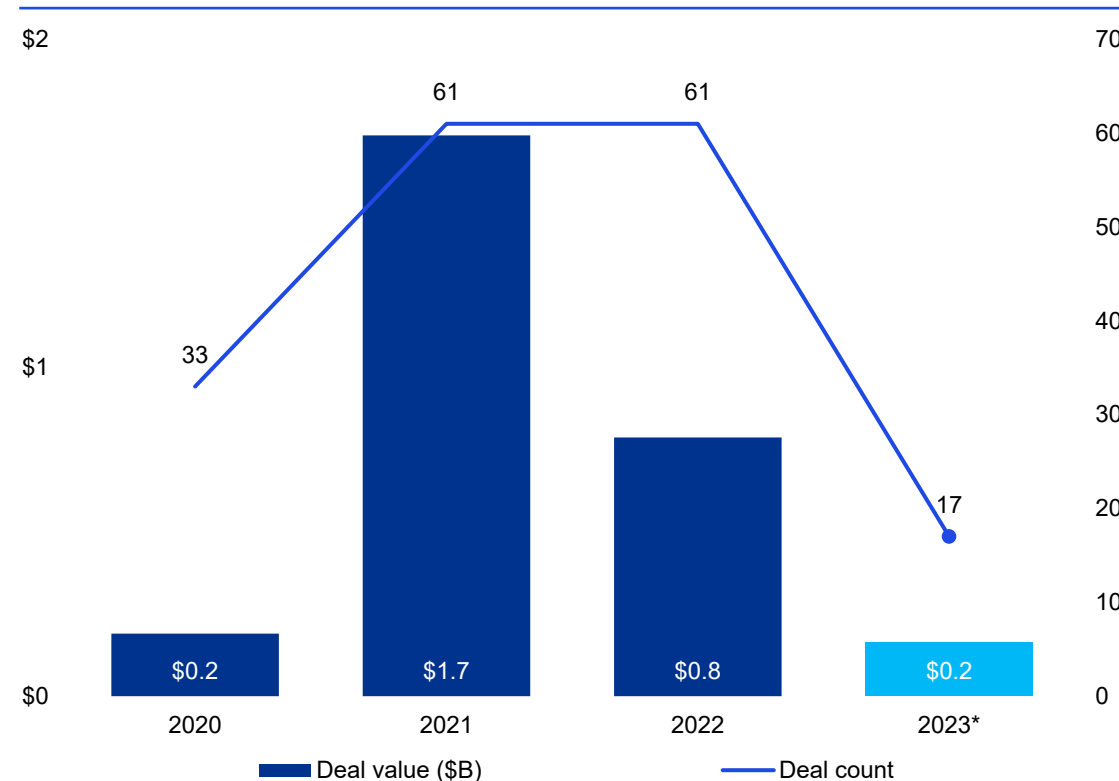
Charles Jacco

Americas Cyber Security Services,
Financial Services Leader, Principal
KPMG in the US

Fintech — Wealthtech

Wealthtech investors hold back in H1'23 amid global uncertainty

Total global funding activity (VC, PE and M&A) in wealthtech
2020–2023*



Source: Pulse of Fintech H1'23, Global Analysis of funding in Fintech, KPMG International (data provided by PitchBook), *as of 30 June 2023.

Total funding in wealthtech was incredibly soft in H1'23 — not a surprise given the range of factors driving uncertainty in the global market, both within the fintech sector and beyond. The only \$100 million+ deal in H1'23 occurred in the US —the most mature of the wealthtech markets globally; a \$100 million raise by Avenue One — a platform geared to simplifying funding in single-family rentals. Key H1'23 highlights from the wealthtech space include:

AI use cases focusing on KYC and CDD

Similar to fintech and the tech space more broadly, investors in wealthtech also showed increasing interest in AI-enablement and the use of AI to drive unique solutions during H1'23. In the wealth management space, this focus predominantly revolved around customer due diligence (CDD) and know-your-customer (KYC) solutions. Solutions related to transaction monitoring have also gained some attention as wealth management companies look to reduce the number of false positives and the amount of manual effort and intervention.

Interest in wealthtech in the ASPAC region growing

While still a relatively small percentage of the market in the ASPAC region, interest in wealthtech offerings is growing. The increasing middle class in less developed jurisdictions in the region has started to drive demand for new banking products outside of simple cash accounts, including solutions with funding capabilities. Robo-advisors are a growing role in catering to this growing pool of customers — providing easy access to trading and an array of funding opportunities.

Fintech — Wealthtech

Increasing interest in solutions focused on fractionalized assets

For many years, a number of asset classes have been locked — only accessible to high net worth individuals and investors. Recently, there has been growing interest in solutions that make these asset classes more accessible to general investors — primarily through the enablement of fractionalized fundings. Real estate and infrastructure funding solutions have been of particular interest to investors, as evidenced by the \$100 million raise by Avenue One.

Wealthtech M&A activity expected to remain low as corporates focus on partnering

While the wealthtech space saw a small number of M&A deals in H1'23, corporates interested in the space have primarily prioritized the forging of partnerships with wealthtechs rather than outright acquisition deals.

What to watch for in H2'23

- Growing focus on the use of generative AI in order to support wealth manager decision making, to improve robo-advisory capabilities, and to enhance personalization for clients across the wealth management spectrum.
- Increasing integration of embedded finance and wealthtech offerings.
- Further democratization of wealth management advice and opportunities given the growing number of self-directed learning platforms.

“Wealthtech is in a bit of a lull at the moment. The uncertainty globally is causing investors to sit on the fence with the hopes that the market will improve in H2'23. There's also a lot of new technologies being talked about, but start-ups have yet to really harness them for wealthtech use cases. Generative AI is a good example of this. There's a lot of discussion about how it could help industrialize the advice process for wealth managers or to generate proper advice for retail customers; but such solutions — and related fundings — are still a bit further down the pipe.”

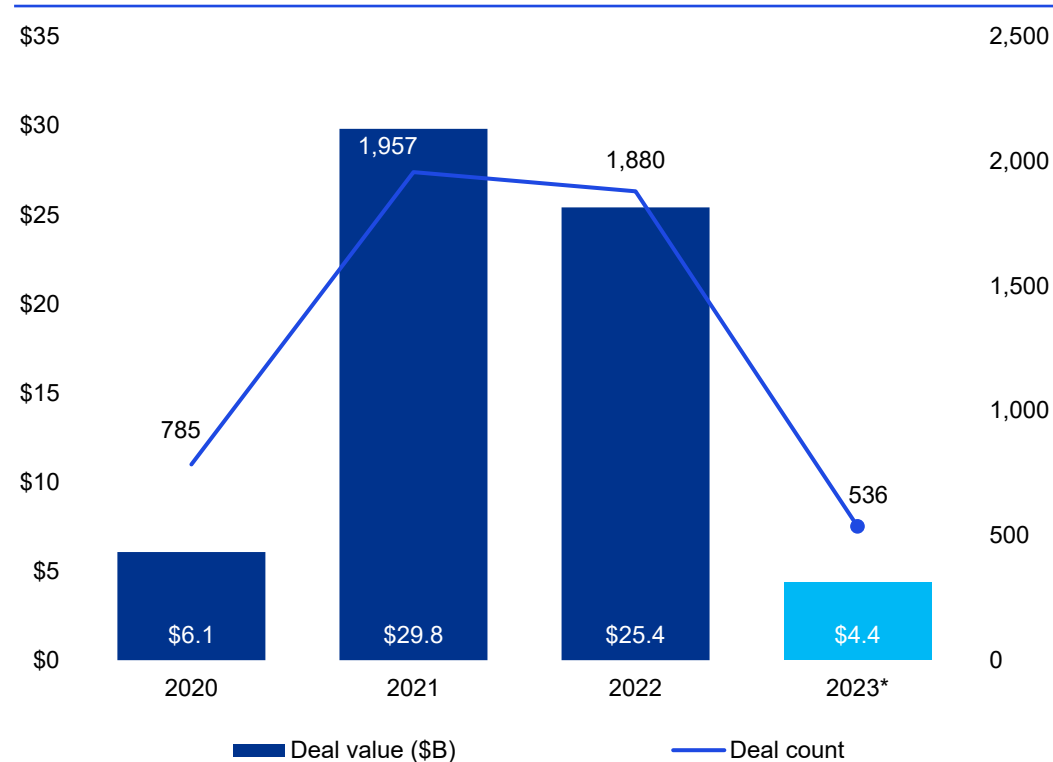


Leon Ong
Partner, Financial Services Advisory
KPMG in Singapore

Fintech — Blockchain/cryptocurrency

Funding in crypto and blockchain falls back to Earth in H1'23

Total global funding activity (VC, PE and M&A) in blockchain and cryptocurrency
2020–2023*



Source: Pulse of Fintech H1'23, Global Analysis of funding in Fintech, KPMG International (data provided by PitchBook), *as of 30 June 2023.

⁵<https://www.reuters.com/legal/legalindustry/sec-takes-aim-crypto-platforms-unregistered-exchanges-2023-07-05/>

⁶<https://www.sec.gov/files/34-97309-fact-sheet.pdf>

After two years of incredible funding, the crypto and blockchain space saw funding fall dramatically in H1'23, although funding levels remained on par with 2020 results. Like the tech sector more broadly, the crypto and blockchain space saw investors pulling back in the wake of growing economic uncertainty, including ongoing concerns about a potential recession, high interest rates, and the significant pressure on valuations. The collapse of several crypto-focused companies during 2022 also affected investor confidence; the subsequent increasing focus on due diligence and governance likely slowed the speed of crypto deals even further. Key H1'23 highlights from the crypto and blockchain space include:

Funding in crypto and blockchain remains geographically diverse

While funding in the crypto and blockchain space was soft in H1'23, funding continued to show geographic diversity with \$100 million+ megadeals in France (Ledger — \$493 million), the US (GammaRey — \$320 million, Apex Crypto — \$155 million, WorldCoin — \$115 million), Switzerland (Metaco — \$250 million), and Canada (Blockstream — \$125 million).

US tightens enforcement of crypto companies; drives interest to other jurisdictions

During H1'23, the SEC took significant steps to strengthen its enforcement of crypto platforms and exchanges, initiating legal proceedings against Coinbase, Binance, and Bittrex.⁵ The SEC also reopened the comment period related to proposed changes to rule 3b-16 of the Securities Exchange Act in order to further expand on the definition of an exchange.⁶ With the US increasing scrutiny of crypto platforms, other jurisdictions have gained more prominence in the eyes of investors and start-ups, including Singapore and Japan.

Fintech — Blockchain/cryptocurrency

Singapore in particular is seen as a strong forerunner given it already has regulations in place, including its Payment Services Act and its Digital Token Payment Act, and is in the process of issuing regulations related to stablecoin issuances.

Continued focus on blockchain technology opportunities, particularly in ESG space

As interest in crypto remained soft, interest in other solutions leveraging blockchain-based technologies continued to attract interest from investors. In particular, investors have shown continued interest in blockchain-based solutions related to the tracking and tracing of carbon credits, and the traceability of food from farm-to-table.

Sandboxes remain key for development of blockchain solutions

Given the nascent nature of many blockchain-based solutions, jurisdictions around the world have continued to embrace the sandbox approach to helping drive solutions development while also creating mechanisms to better understand the use, impact, and value of such technologies. During H1'23, the

European Commission launched a regulatory sandbox for distributed ledger technologies.⁷

The outcomes of the European Commission's sandbox will be particularly interesting to watch given its multi-jurisdictional focus and reach.

What to watch for in H2'23

- Emergence of more non-USD stablecoins, particularly in Asia, as real-world use cases continue to emerge for stable coins — including trade finance, SME lending, and cross-border transactions.
- Increasing focus on the NFT space, with more involvement from non-financial institutions.
- Growing focus on blockchain solutions targeted at the ESG and carbon credits space.
- Strengthening interest from banks interested in asset tokenization, particularly as a means to tokenize and fractionalize assets to expand access to asset classes to different segments of investors.

⁷<https://digital-strategy.ec.europa.eu/en/news/launch-european-blockchain-regulatory-sandbox/>

“Blockchain is such a new area of development. The more you study it, the more you can understand the full implications of it and the considerations related to it. This is one reason why so many jurisdictions are implementing regulatory sandboxes — from the EU, South Africa and Kazakhstan to Qatar and ADGM in the Middle East. These sandboxes will continue to be critical, not only for testing blockchain-based technologies but for creating ecosystems in which companies can work together to determine and create new value.”



Debarshi Bandyopadhyay

Director, Financial Services,
Blockchain & Crypto
KPMG in Singapore

In H1'23, fintech funding
in the **Americas**
reached \$36.1B with
1,011 deals



Regional insights — Americas

Fintech funding in the Americas strengthens in H1'23

Total fintech funding in the Americas rose from \$28.9 billion in H2'22 to \$36 billion in H1'23, although it remained relatively weak compared to the level of funding seen between H2'20 and H1'22. While the region attracted a number of sizeable transactions — all in the US — total deal volume dropped significantly; deal volume in Q2'23 was particularly weak, falling to a twelve-quarter low. Given the amount of funding still available in the market, the decline in deals volume likely reflects a number of factors, including investors being much more selective about the deals they go after and valuation differences between what sellers want and what buyers are willing to pay. Key H1'23 highlights from the Americas include:

US attracts majority of fintech funding in the Americas

The US accounted for the vast bulk of fintech funding in the region, including six deals over \$1 billion: Coupa (\$8 billion), Stripe (\$6.8 billion), EVO Payments (\$4 billion), Duck Creek Technologies (\$2.6 billion), Moneygram (\$1.8 billion), and Paya (\$1.3 billion).

Outside of the US, only two countries attracted \$100 million+ funding rounds:

Mexico, which saw a \$175 million raise by SMB-focused fintech Kapital, and Canada, which saw a \$125 million raise by bitcoin infrastructure company Blockstream.

Crypto funding in the US on pause; blockchain interest persists

Following on the collapse of a number of crypto companies in 2022 and the increasing focus of the SEC on crypto companies, many traditional investors in the US pulled back from the space during H1'23. While there were a handful of larger crypto deals in H1'23, including the \$155 million acquisition of Apex Crypto in the US and the \$125 million raise by Canada-based Blockstream, funding was incredibly low relative to the last few years. Non-crypto focused blockchain-based technologies continued to attract interest, as evidenced by the \$320 million acquisition of remittance-focused technology company GammaRey by fintech data analytics company GoLogiq.

Payments sector remains resilient

Compared to other sectors, the payments space showed strong resilience in the first half of 2023, with most of the largest transactions in the Americas occurring in the space. This resilience likely reflects the robustness of payments business models, which work both in good economic times and in bad ones.

B2B payments were particularly high on the radar of investors during H1'23, evidenced by the \$8 billion buyout of spend management platform Coupa by Thomas Bravo, and the \$4 billion acquisition of payments services provider EVO Payments by Global Payments. The size of these deals highlights the importance of scale in order for payments companies to be able to compete effectively in an increasingly mature sector.

Regional insights — Americas

Insurtech continues to attract interest

Interest and funding in insurtech remained relatively robust in the Americas, led by the \$2.6 billion buyout of Duck Creek Technologies by Vista Equity Partners. The technologies being used by many legacy insurance players in the Americas, particularly in the US, is quite antiquated; investors recognize that there is a real opportunity to upgrade these technologies and the modularity of these technologies. As such, funding in the space will likely remain strong over the long term, even if deal speed slows further.

Trends to watch for in H2'23

- Growing focus on AI and generative AI use cases in the areas of financial planning and wealth management.
- Increase funding as the financial markets normalize and there is more certainty that inflation is going down and that interest rates are stabilizing.
- Growing diversity of geographic locations within the Americas — and domestically within the US — attracting fintech funding.
- Continued focus on B2B fintech solutions, particularly those focused on helping financial services companies improve efficiencies.
- Accelerating payments deal volumes across the Americas as the market turns more positive, with increasing interest from PE firms.

“ We’re seeing investors, whether corporates or VC or PE firms, being much more selective around the businesses in which they invest. If they’re going to pay a high multiple, then the business has to be performing really, really well — not only from a growth perspective, but also from an operating perspective. While investors used to pour money into companies because of their growth story, now investors want to see a positive cash flow, if not a profitable company, in addition to high growth. ”



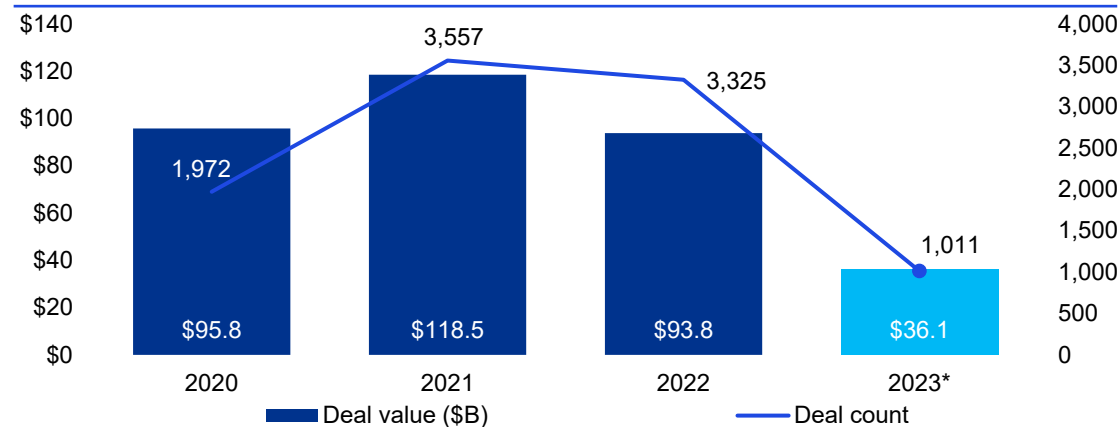
Robert Ruark

Principal, Financial Services
Strategy and Fintech Leader
KPMG in the US

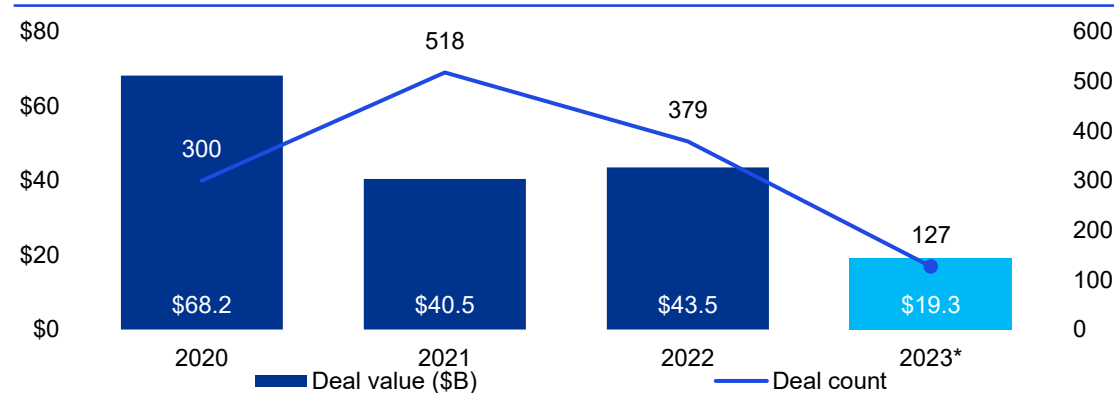
Regional insights — Americas

Dealmaking remains sluggish at the half-year mark

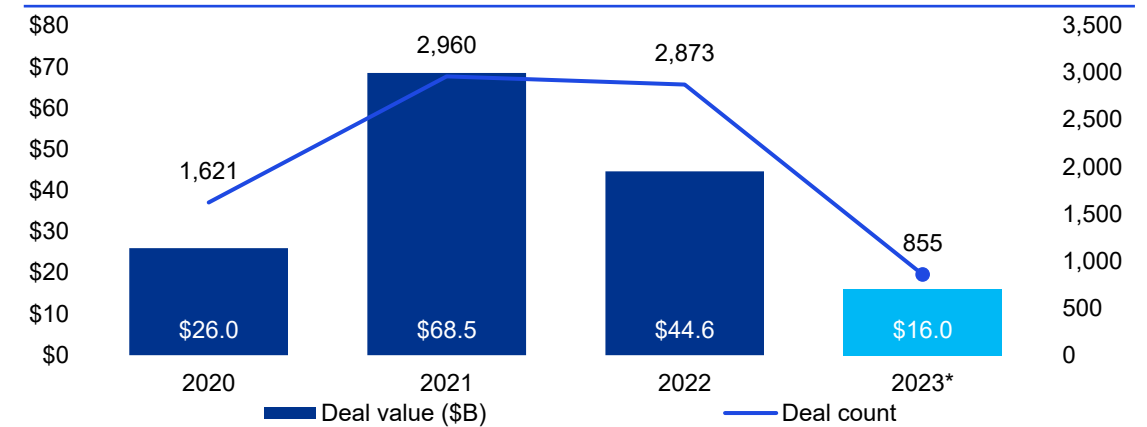
Total funding activity (VC, PE and M&A) in fintech in the Americas
2020–2023*



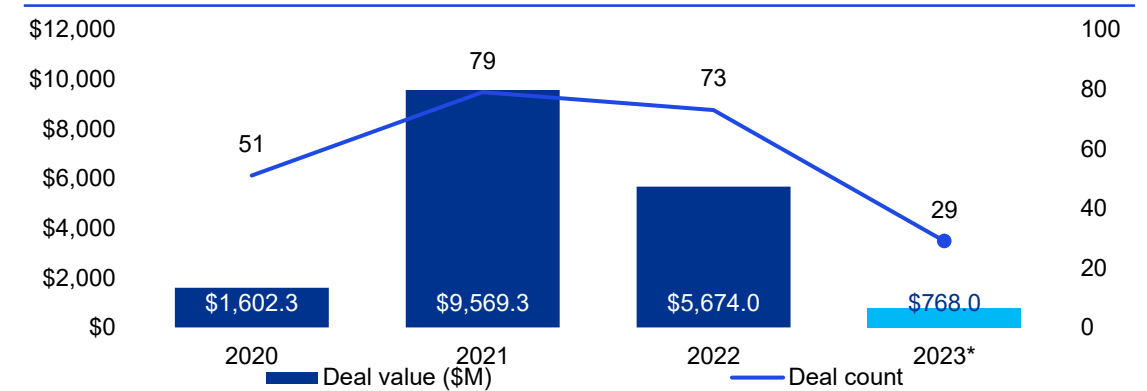
M&A activity in fintech in the Americas
2020–2023*



Venture capital funding activity in fintech in the Americas
2020–2023*



PE growth activity in fintech in the Americas
2020–2023*

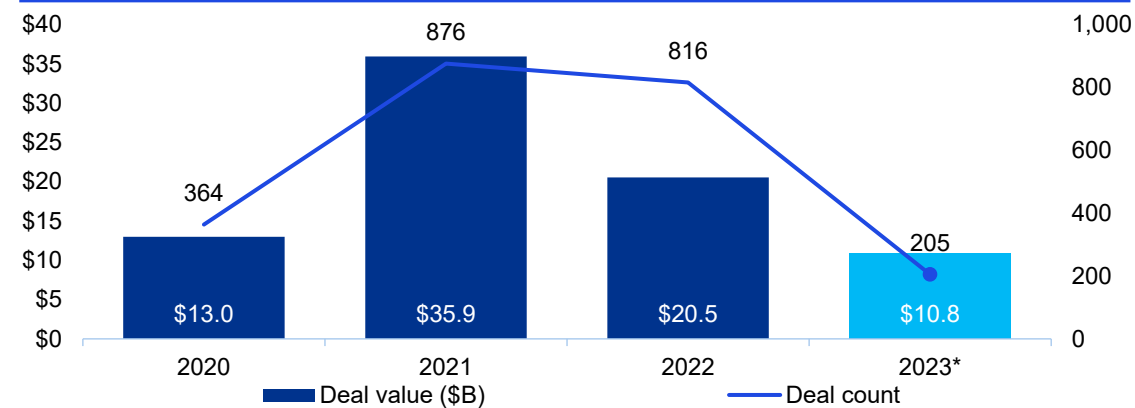


Source: Pulse of Fintech H1'23, Global Analysis of funding in Fintech, KPMG International (data provided by PitchBook), *as of 30 June 2023.

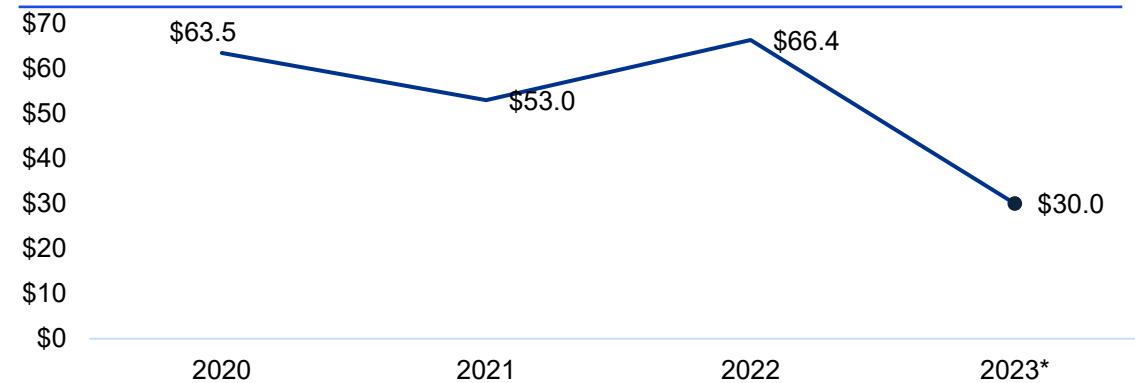
Regional insights — Americas

Financing metrics subside yet do not collapse

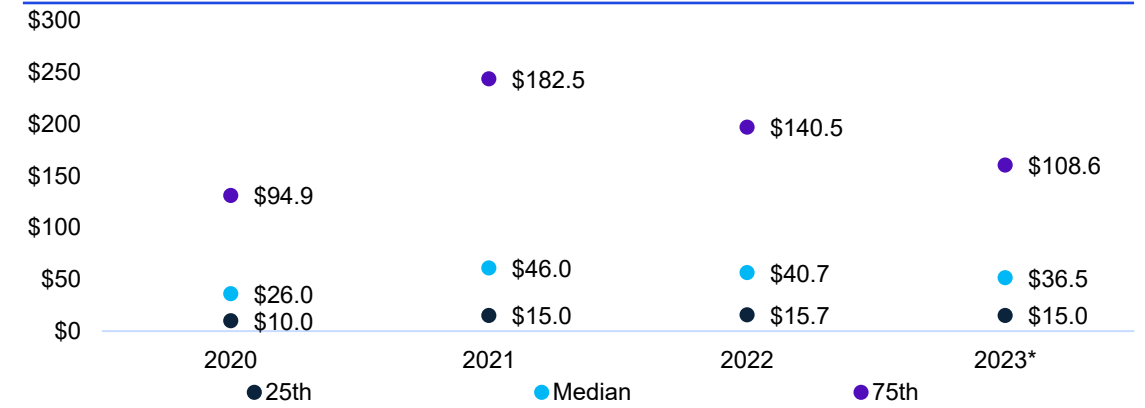
VC activity in fintech with corporate participation in the Americas
2020–2023*



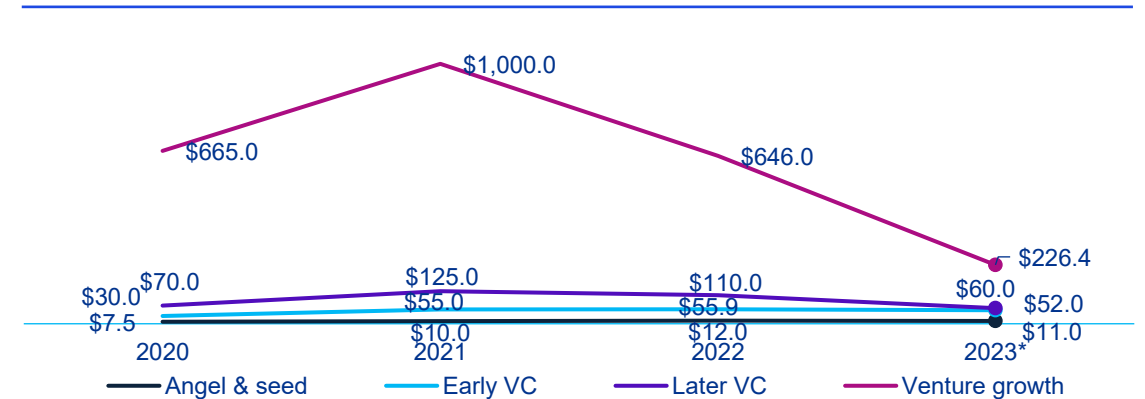
Median M&A size (\$M) in fintech in the Americas
2020–2023*



Quartile post-money (VC, PE and M&A) valuations in Americas
2020–2023*



Median pre-money valuations (\$M) by stage in fintech in the Americas
2020–2023*

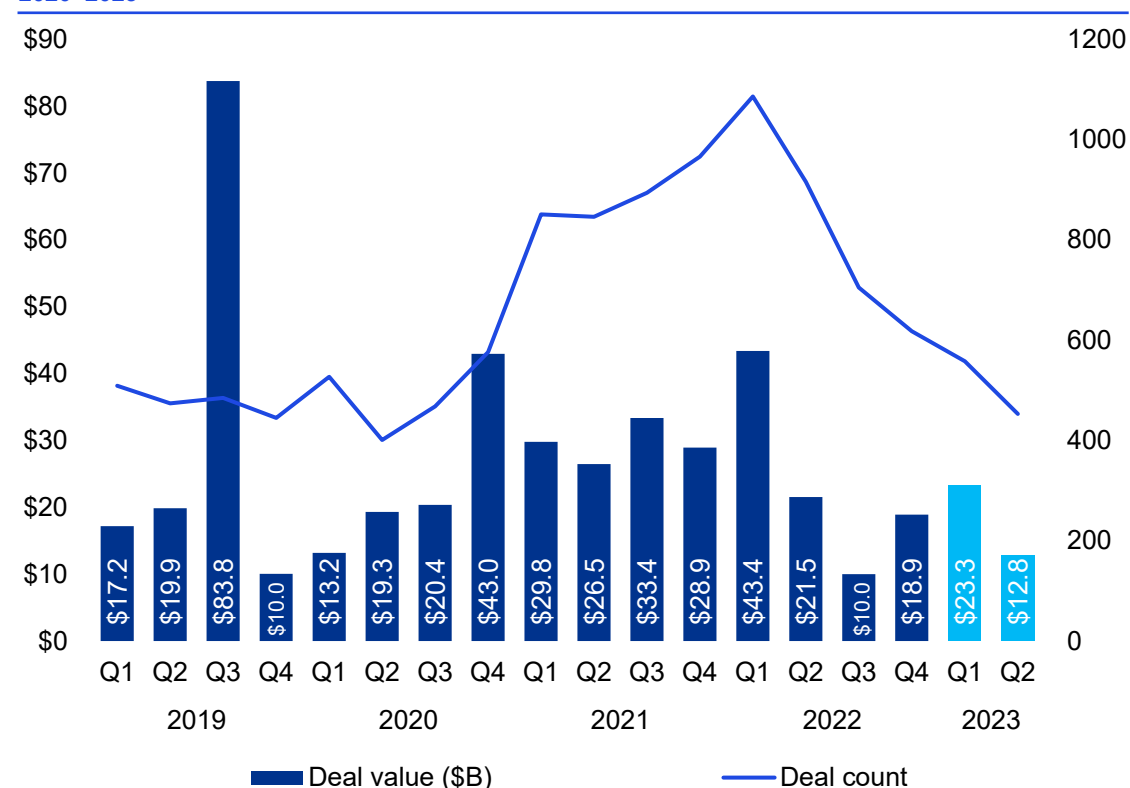


Source: Pulse of Fintech H1'23, Global Analysis of funding in Fintech, KPMG International (data provided by PitchBook), *as of 30 June 2023. The 2023 figure for median M&A sizes is based on a non-normative sample size.

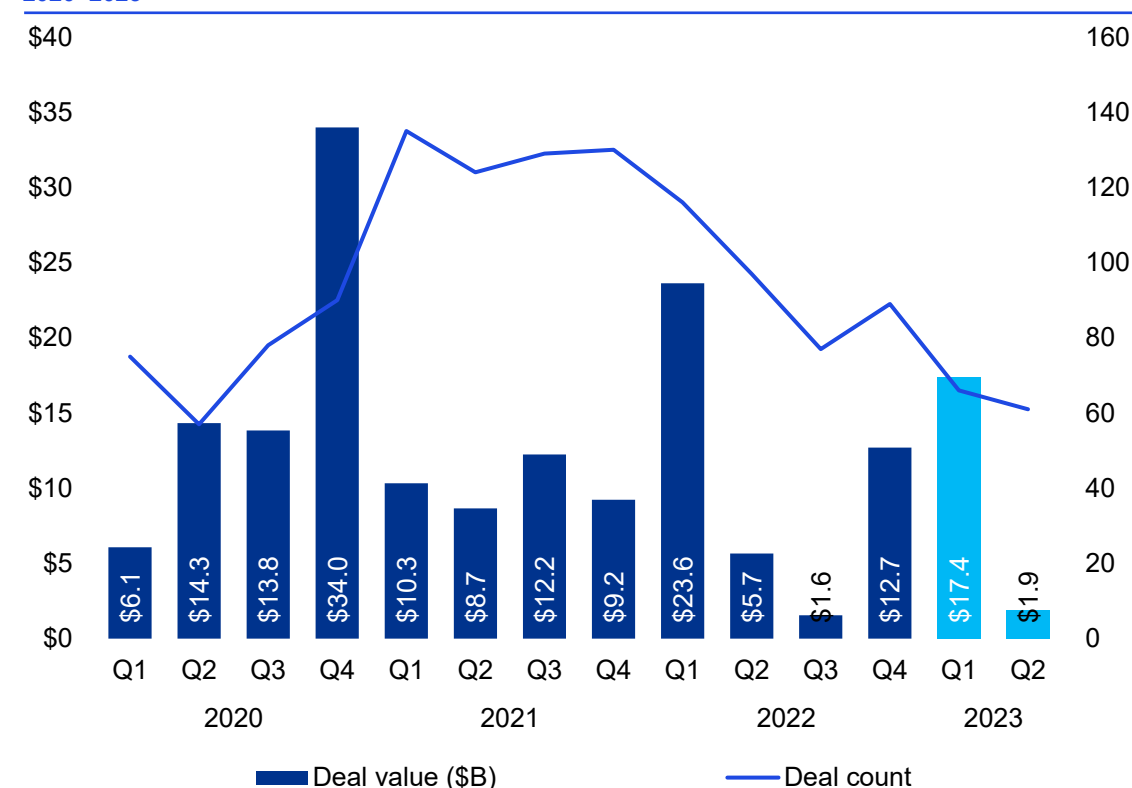
Regional insights — Americas

M&A slows down after year-end bump

Total funding activity (VC, PE, M&A) in fintech in the Americas
2020–2023*



M&A activity in fintech in the Americas
2020–2023*

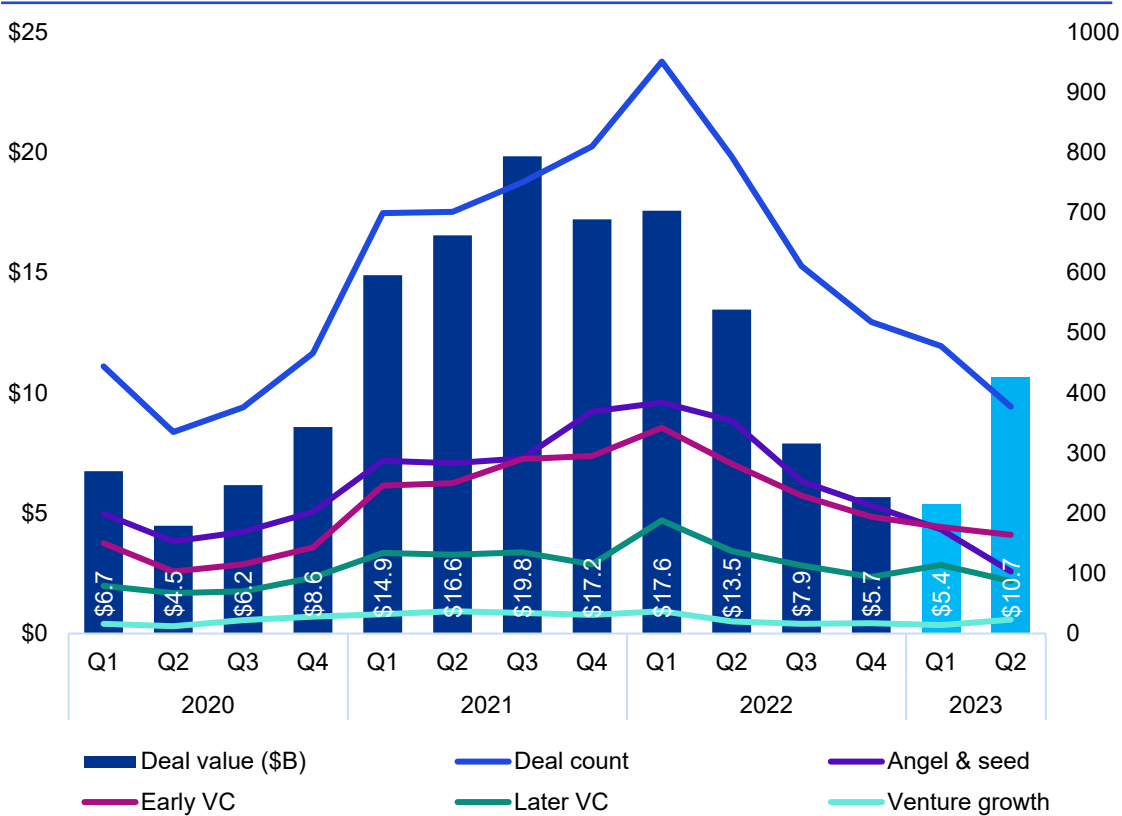


Source: Pulse of Fintech H1'23, Global Analysis of funding in Fintech, KPMG International (data provided by PitchBook), *as of 30 June 2023.

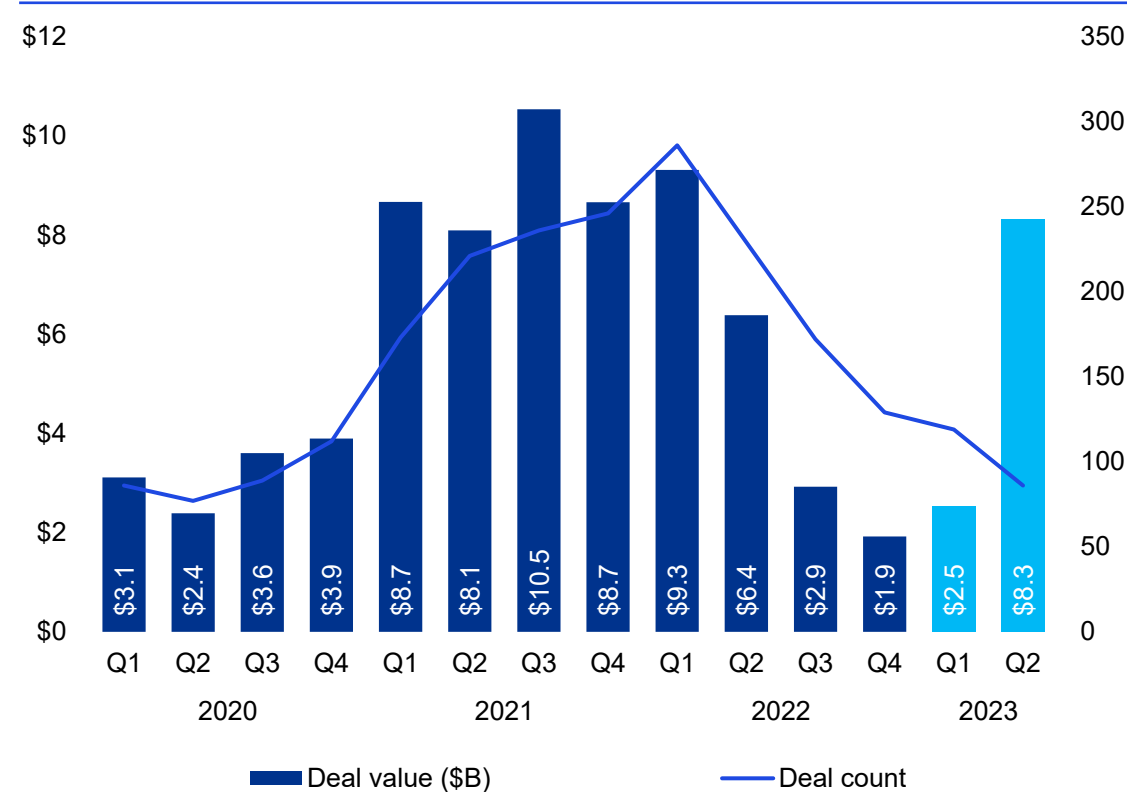
Regional insights — Americas

VC invested with corporate participation holds up

Venture capital funding activity in fintech in the Americas
2020–2023*



VC activity in fintech with corporate participation in the Americas
2020–2023*



Source: Pulse of Fintech H1'23, Global Analysis of funding in Fintech, KPMG International (data provided by PitchBook), *as of 30 June 2023.

Americas

Top 10 fintech deals in the Americas in H1'23



1. **Coupa** — \$8B, San Mateo, US — Institutional/B2B — *Public-to-private buyout*
2. **Stripe** — \$6.9B, San Francisco, US — Regtech — *Series I*
3. **EVO Payments** — \$4B, Atlanta, US — Payments — *M&A*
4. **Duck Creek Technologies** — \$2.6B, Boston, US — Insurtech — *Public-to-private buyout*
5. **Moneygram** — \$1.8B, Dallas, US — Payments — *Public-to-private buyout*
6. **Paya** — \$1.3B, Atlanta, US — Payments — *M&A*
7. **Generate** — \$880.6M, San Francisco, US — Institutional/B2B — *Late-stage VC*
8. **Benefitfocus** — \$570M, Charleston, US — Institutional/B2B — *M&A*
9. **Xpansiv** — \$525M, San Francisco, US — ESG — *Late-stage VC*
10. **GammaRey** — \$320M, New York, US — Blockchain — *M&A*

Source: Pulse of Fintech H1'23, Global Analysis of funding in Fintech, KPMG International (data provided by PitchBook), *as of 30 June 2023.

**In H1'23, funding in
fintech companies in
Europe, Middle East and
Africa (EMEA) recorded
\$11.2B with 702 deals**

Regional insights — EMEA

EMEA sees fintech funding slide in H1'23; long-term outlook remains positive

Total fintech funding in the EMEA region dropped considerably — from \$27 billion in H2'23 to just \$11 billion in H1'23 — as investors in the region enhanced their focus on profitability in the wake of global macroeconomic uncertainty, rising interest rates, the intense pressure on valuations, and a reduction in multiples. Despite the slowdown, the region is expected to remain strong over the longer term once the market uncertainty lessens.

The UK attracted the majority of fintech funding in the EMEA region in H1'23, accounting for half of the region's 10 largest deals, including the \$3.1 billion buyout of data insights firm Wood Mackenzie by Veritas, a \$602 million raise by AI-powered lending company Abound, and a \$250 million raise by e-trading platform eToro. Other countries that attracted large deals included France (Ledger — \$493 million), Switzerland (Teylor — \$299 million; Metaco — \$250 million), Sweden (SignUp Software — \$229 million), and Germany (Moonfare — \$152 million). Key H1'23 highlights from the EMEA region include:

Landmark regulatory initiatives around open

banking and embedded finance: At the end of H1'23, the European Commission released its long-awaited draft of the revised Payment Services Directive (PSD3), and its proposals for a Payments Services Regulation (PSR) and a framework for financial data access. These ensure clear rights and obligations to manage customer data sharing beyond payment accounts, thus likely helping boost interest and funding in the open banking and embedded finance space and drive more collaboration between ecosystem participants. During H1'23, the UK's Joint Regulatory Oversight Committee also announced a framework for moving to the next phase of open banking.⁸

UK moving to cement its place as a fintech leader

During H1'23, the UK passed the Financial Services and Markets Act 2023. The Act includes a range of measures aimed at enhancing the UK's leadership and competitiveness in the financial services and fintech spaces. In particular, the Act enables changes meant to make the UK an attractive place to IPO, sets the foundation for the regulation of crypto assets to promote adoption, and establishes sandboxes to facilitate the testing of new technologies in the sector.⁹

“

The factors that make the UK a strong financial services center also hold true for crypto and digital assets — the legal and regulatory environment, the availability of skills, the quality of the universities, the language and time zone positioning. While the UK may not be first out of the blocks with its crypto and digital assets regulations — they'll likely come into force in early 2024 — it is working to create the right regulatory environment to support a sustainable crypto and digital assets ecosystem and make it an attractive location to crypto sector participants, while also protecting consumers.”



John Hallsworth

Partner, Financial Services,
Open Finance & Fintech
KPMG in the UK

⁸<https://www.fca.org.uk/firms/future-open-banking-joint-regulatory-oversight-committee/>

⁹<https://www.gov.uk/government/news/rocket-boost-for-uk-economy-as-financial-services-and-markets-bill-receives-royal-assent>

Regional insights — EMEA

Increasing interest in ESG-related fintech

In Europe, climate change has continued to be a top priority, with EU-based regulations, such as the Corporate Sustainability Reporting Directive, increasingly putting banks at the forefront of making certain their customers report on ESG compliance. This focus is already spurring both banks and corporates to consider their role in the process, the integration of multiple sources of data, and changes that will be needed to ensure alignment. In time, this will likely drive interest in ESG-focused fintechs that can help companies and banks with identified gaps.

Regtech focus remains strong

There continued to be strong interest and funding in regtech, particularly in companies able to help financial institutions with KYC and AML obligations to assist with digital onboarding, the detection of suspicious activity, and the ongoing management and updating of customer information. Historically, these activities have required a significant amount of manual effort; given current macroeconomic pressures, financial institutions are becoming increasingly interested in how AI and automation can help them become more efficient.

What to watch for in H2'23

- Increasing focus on embedded payments and embedded finance, catalyzed by PSD3.
- Growing attention to wealthtechs focused on democratizing access to funding in asset classes once limited to PE firms and other large-scale investors.
- Strengthening focus on the use of AI and intelligent automation across financial services, including in the insurance and wealth management sectors.
- The role of banks evolving to include more partnerships with fintechs, retailers, and other companies, such as through the offering of B2B embedded banking solutions.
- Emergence of UK crypto regulations in an effort to position itself as a global crypto center.
- Growing M&A activity, particularly from corporates as inflation and interest rates stabilize.
- A thinning out of the number of fintech companies as cash-strapped companies desperate for funding seek sales to other companies.
- Professional investors keeping their spending low. Retaining their power to help their existing portfolio fundings overcome the current drought, avoiding down rounds as much as possible, as multiples in private markets drop following the trend in public markets.

“

There are a lot of expectations around embedded finance and embedded payments here in Europe. The recent publication of the PSD3 proposal and the framework for access to financial data will likely further catalyse open banking solutions, enhancing the ability of both banks and fintechs to integrate finance into the customer journey in other sectors. This industry evolution is to drive more open banking-focused partnerships in the B2C and even more in B2B spaces.”



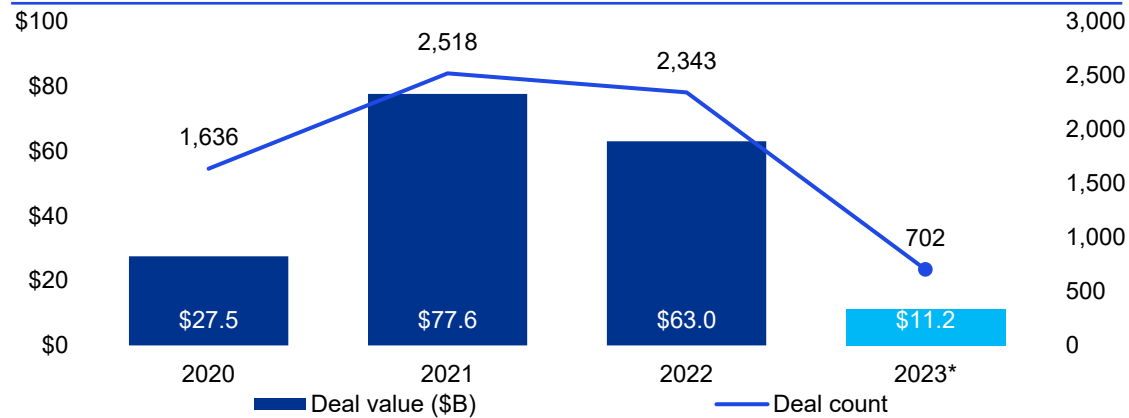
Dave Remue

Director, Head of Fintech, Advisory
KPMG in Belgium

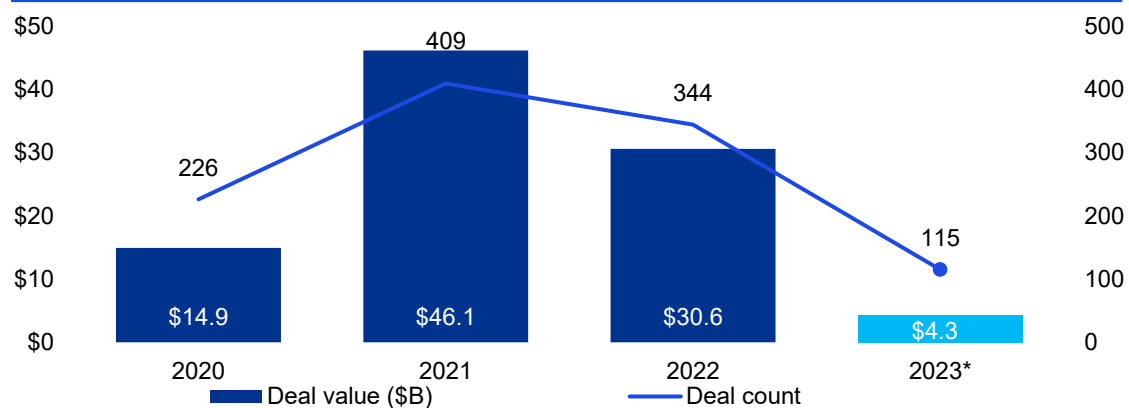
Regional insights — EMEA

Dealmakers retreat to a substantial degree

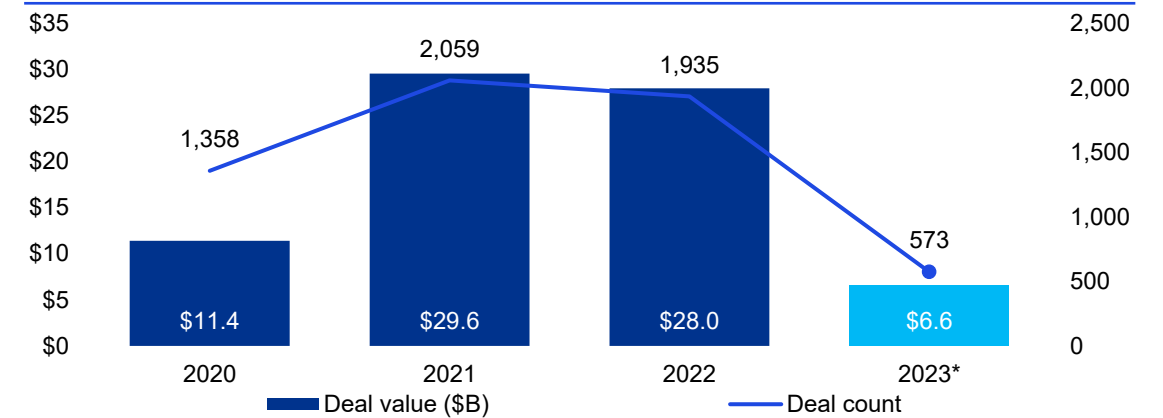
Total funding activity (VC, PE and M&A) in fintech in EMEA
2020–2023*



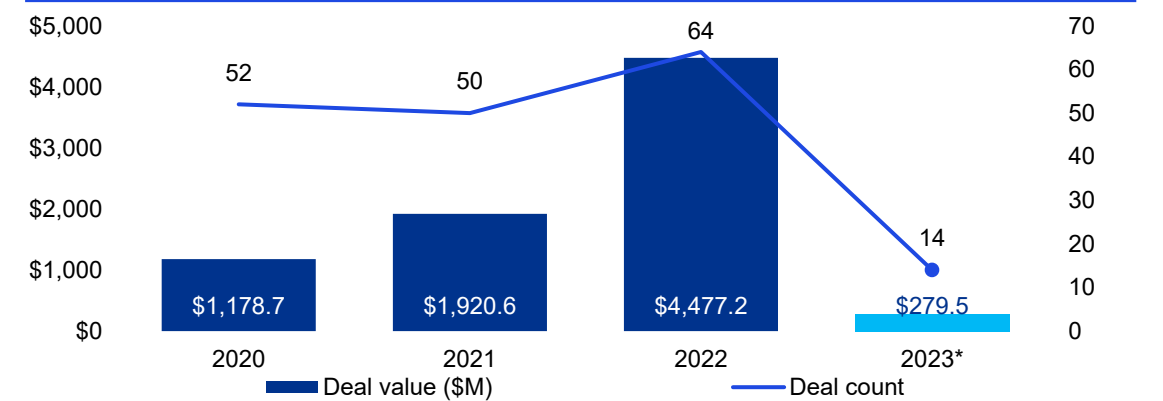
M&A activity in fintech in EMEA
2020–2023*



Venture capital funding activity in fintech in EMEA
2020–2023*



PE growth activity in fintech in EMEA
2020–2023*



Source: Pulse of Fintech H1'23, Global Analysis of funding in Fintech, KPMG International (data provided by PitchBook), *as of 30 June 2023.

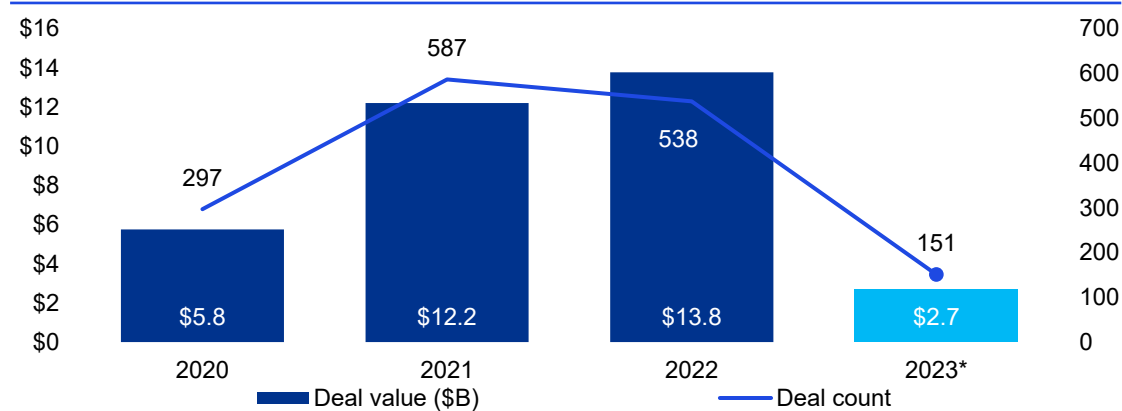
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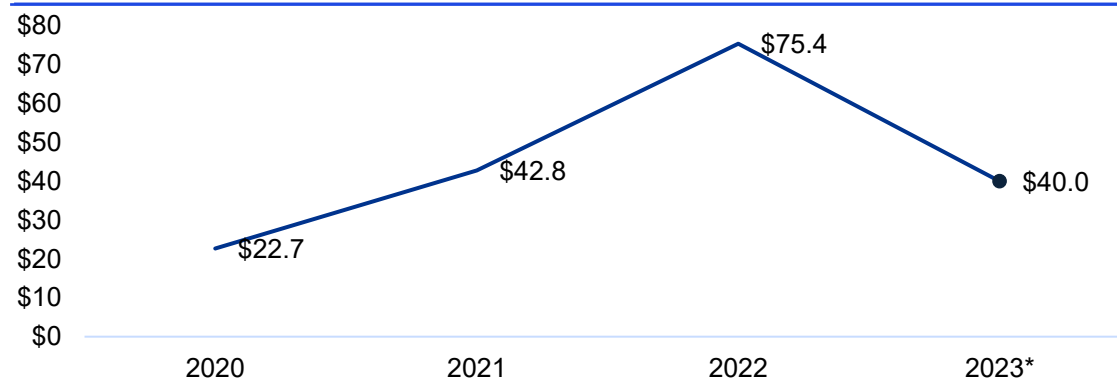
Regional insights — EMEA

Financing metrics paint complex picture of significant capital to disburse investors' concern

VC activity in fintech with corporate participation in EMEA
2020–2023*

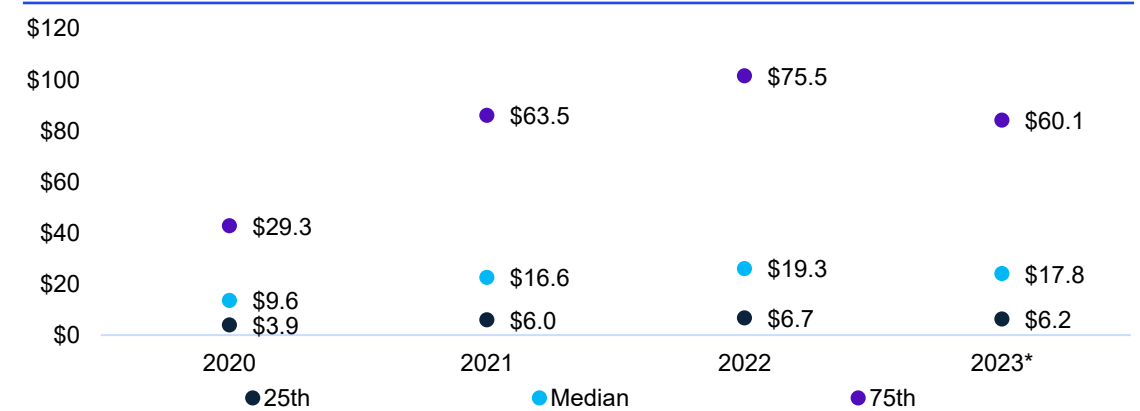


Median M&A size (\$M) in fintech in EMEA
2020–2023*

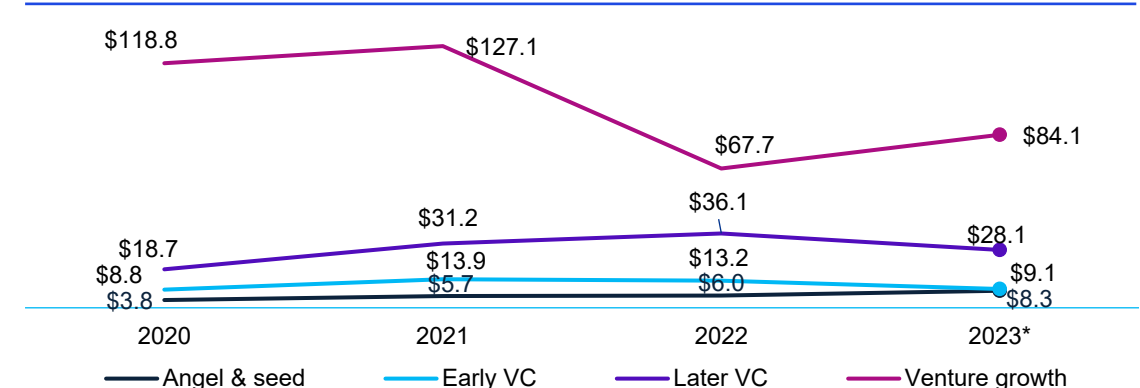


Source: Pulse of Fintech H1'23, Global Analysis of funding in Fintech, KPMG International (data provided by PitchBook), *as of 30 June 2023. The venture growth figures for 2020 and 2023 YTD are based on non-normative sample sizes. The median M&A figure for 2023 YTD is based on a non-normative sample size.

Quartile post-money (VC, PE and M&A) valuations in EMEA
2020–2023*



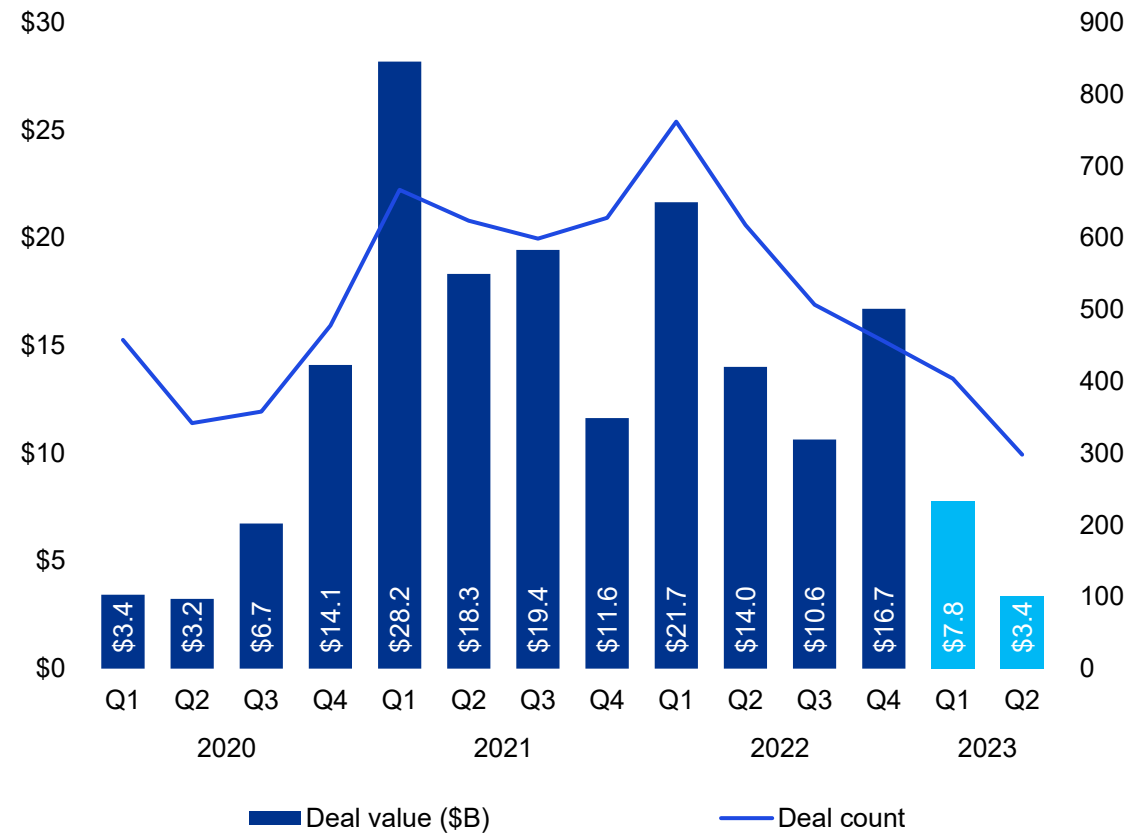
Median pre-money valuations (\$M) by stage in fintech in EMEA
2020–2023*



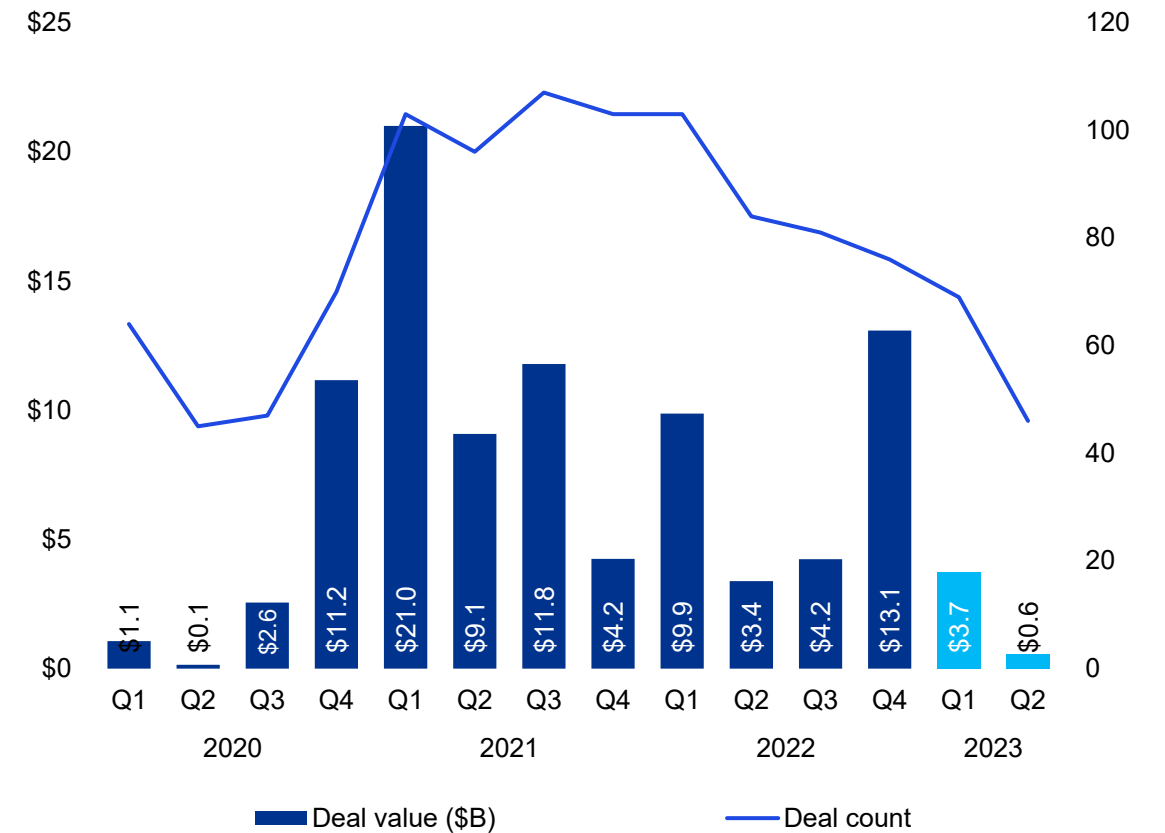
Regional insights — EMEA

Dealmaking continues to lose momentum

Total funding activity (VC, PE and M&A) in fintech in EMEA
2020–2023*



M&A activity in fintech in EMEA
2020–2023*

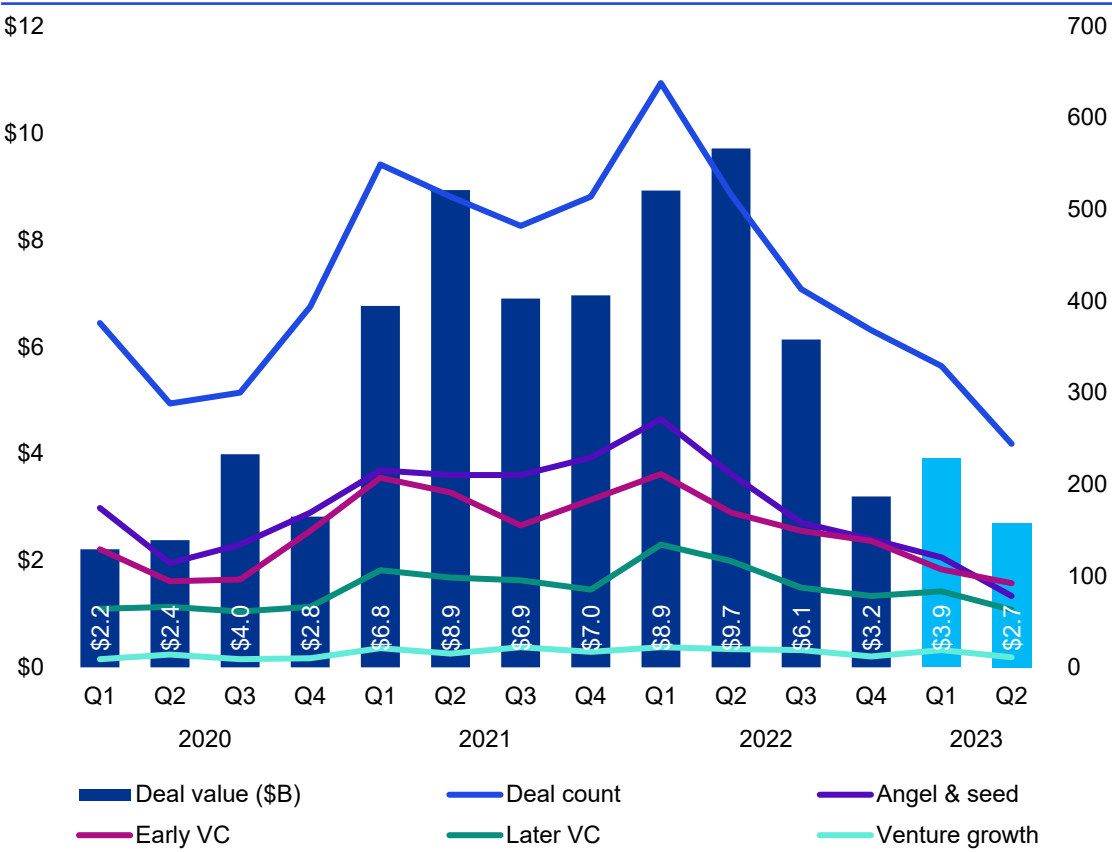


Source: Pulse of Fintech H1'23, Global Analysis of funding in Fintech, KPMG International (data provided by PitchBook), *as of 30 June 2023.

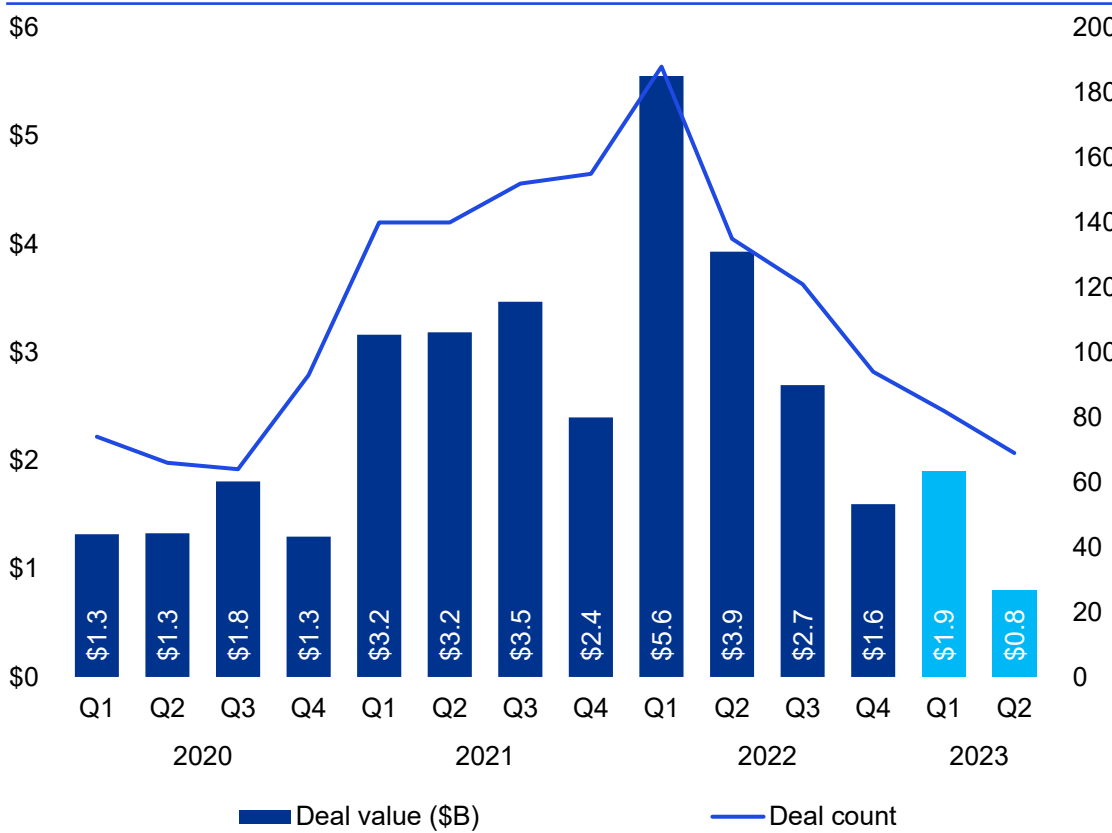
Regional insights — EMEA

After a strong run, venture capital funding activity is declining at all stages

Venture capital funding activity in fintech in EMEA
2020–2023*



VC activity in fintech with corporate participation in EMEA
2020–2023*



Source: Pulse of Fintech H1'23, Global Analysis of funding in Fintech, KPMG International (data provided by PitchBook), *as of 30 June 2023.

EMEA

Top 10 fintech deals in EMEA in H1'23



1. **Wood Mackenzie** — \$3.1B, Edinburgh, UK — Institutional/B2B — *Corporate divestiture*
2. **Abound (Consumer Finance)** — \$602M, London, UK — Consumer finance — *Early-stage VC*
3. **Ledger** — \$493M, Paris, France — Blockchain — *Series C*
4. **Taylor** — \$299.05M, Zurich, Switzerland — Lending — *Late-stage VC*
5. **eToro** — \$250M, London, UK — Capital markets — *Late-stage VC*
5. **Metaco** — \$250M, Lausanne, Switzerland — Blockchain — *M&A*
5. **Bold Prime** — \$250M, Port Louis, Mauritius — Capital markets — *M&A*
8. **SignUp Software** — \$229.35M, Solna, Sweden — Institutional/B2B — *Buyout*
9. **The Bank of London** — \$160M, London, UK — Institutional/B2B — *PE growth*
10. **Cushon** — \$152.8M, London, UK — Consumer finance — *M&A*

Source: Pulse of Fintech H1'23, Global Analysis of funding in Fintech, KPMG International (data provided by PitchBook), *as of 30 June 2023.

**In H1'23, fintech
companies in Asia
Pacific received
\$5.1B with 432 deals**

Regional insights — ASPAC

Fintech funding in ASPAC very soft; H1'23 sees lowest level in almost 10 years

Fintech funding in the ASPAC region dropped from \$6.8 billion in H2'22 to \$5.1 billion in H1'23 — a far cry from the record-breaking six months experienced in H1'22 when fintech funding reached over \$45 billion. The largest fintech deal in the ASPAC region during H1'23 was \$1.5 billion raise by China-based consumer finance services company Chongqing Ant Consumer Finance. Other deals in the region during the quarter were significantly smaller, including the \$304 million buyout of India-based SME lending company Vistaar Finance by PE firm Warburg Pincus, the \$270 million raise by Singapore-based credit services firm Kredivo Holdings, and a \$200 million raise by India-based digital lending platform Creditbee. Key H2'23 highlights from the ASPAC region include:

Fintech firms looking at ways to leverage AI-generated content (AIGC)

Following on trends seen globally, interest in AI took off in the ASPAC region, with both investors and corporates looking for ways to leverage AIGC within fintech use cases. In particular, there is strong interest in AIGC use cases focused on marketing and customer engagement in order to upgrade customer experiences. While China has restricted access to ChatGPT, the country's tech giants,

including Baidu, Tencent, and Alibaba, all have their own large language models (LLMs). It is expected that these LLMs could be used as a basis to support AIGC use cases in the fintech sector heading into H2'23 and into 2024.

Outside of Chongqing Ant Consumer Finance raise, fintech funding in China is very dry

Aside from the \$1.5 billion raise by Chongqing Ant Consumer Finance, fintech funding in China was remarkably dry during H1'23, with the second largest deal a \$45 million raise by installment financing company OH Credit.

The decline in funding in China likely reflects businesses prioritizing their post-pandemic recovery, including strengthening their business models and looking for growth opportunities. Fintech investors in China area have also been taking a wait and see approach — expecting start-ups that they have previously funded to prove their value and outcomes prior to making further fundings.

“A number of startups are focused on developing AI and AIGC use cases for the fintech industry, but there have not been any mature applications to date in the fintech space. That said, there is enormous interest in AI, so more material AIGC-related applications will likely begin to appear over the next six months to a year.”



Andrew Huang
Partner, Financial Services, Audit
KPMG China

Regional insights — ASPAC

Growing interest in logistics and supply chain finance

One fintech area that gained increasing attention in the ASPAC region during H1'23 was logistics and supply chain finance; this area is expected to remain top of mind heading into H2'23 as traditional manufacturing companies and others look to become more efficient across their end-to-end operations.

Jurisdictions in ASPAC looking to become global crypto hubs

In the wake of the US increasing scrutiny of crypto-focused firms, a number of jurisdictions in the ASPAC region have increased their efforts to position themselves as global hubs for the evolution of the crypto sector. Within the region, Singapore has had a jump start in this area; over the past few years, it has established strong regulations related to crypto firm operations, including its Payment Services Act and its Digital Token Payment Act. Outside of Singapore, both Japan and Hong Kong SAR, China have also undertaken a range of activities to establish strong crypto ecosystems.

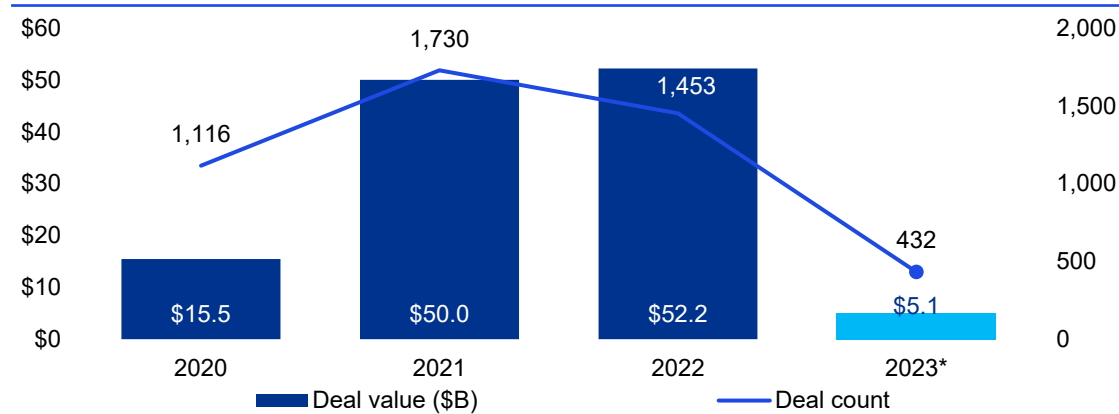
Trends to watch for in H2'23

- Regulators within the region continuing to prioritize data governance, data security, and privacy protection.
- Increasing focus on ESG-focused fintechs and green finance.
- Fintechs continuing to focus on fintech enablement rather than on direct competition.
- Accelerating focus on the use of AI and AIGC, with a particular focus on improving the customer experience.

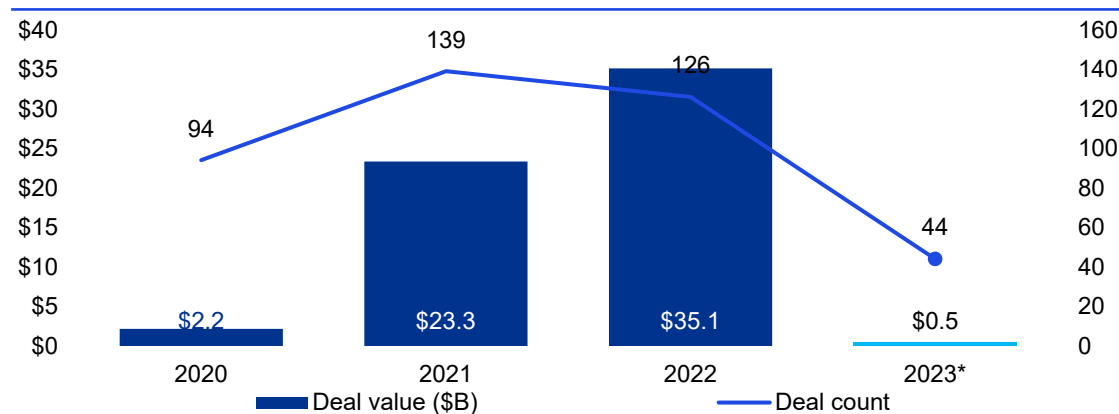
Regional insights — ASPAC

Dealmaking declines across all types

Total funding activity (VC, PE and M&A) in fintech in ASPAC
2020–2023*

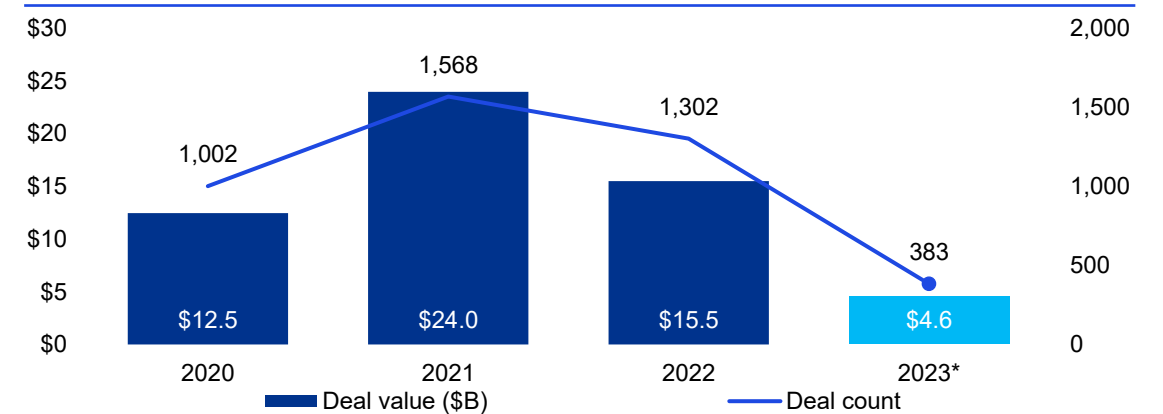


M&A activity in fintech in Asia Pacific
2020–2023*

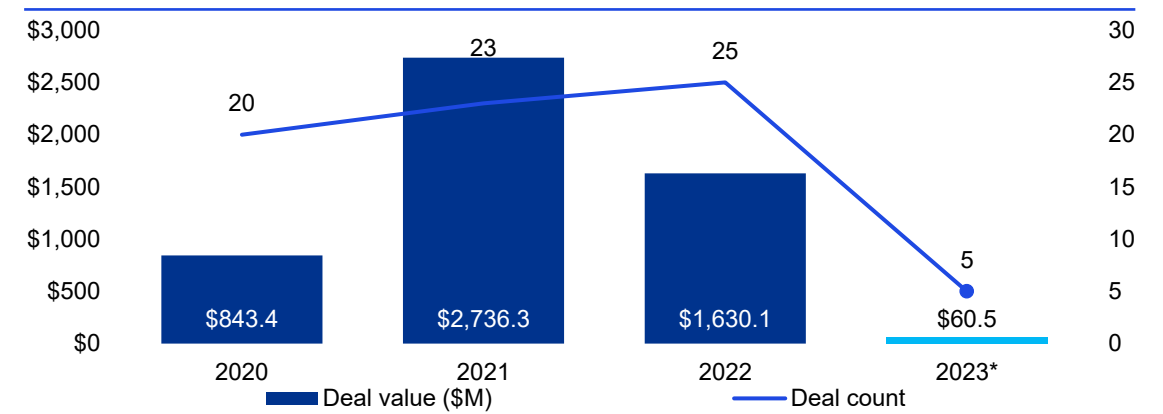


Source: Pulse of Fintech H1'23, Global Analysis of funding in Fintech, KPMG International (data provided by PitchBook), *as of 30 June 2023.

Venture capital funding activity in fintech in Asia Pacific
2020–2023*



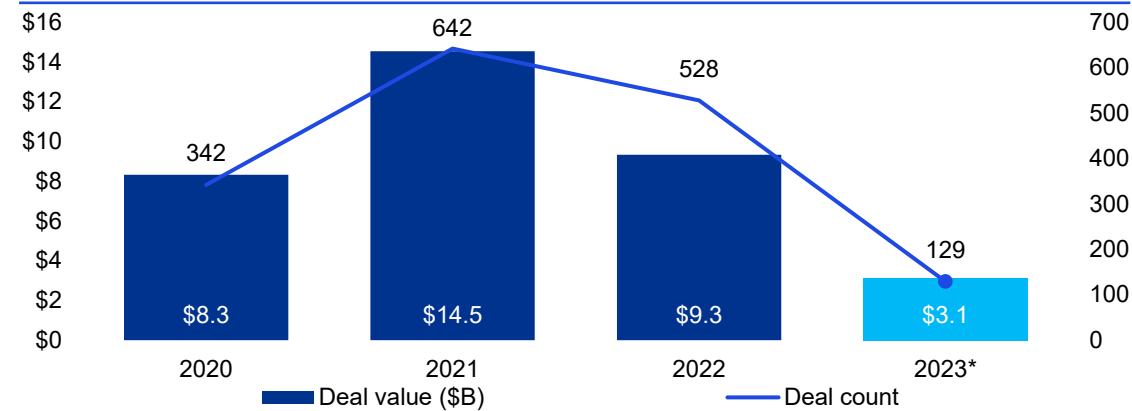
PE growth activity in fintech in Asia Pacific
2020–2023*



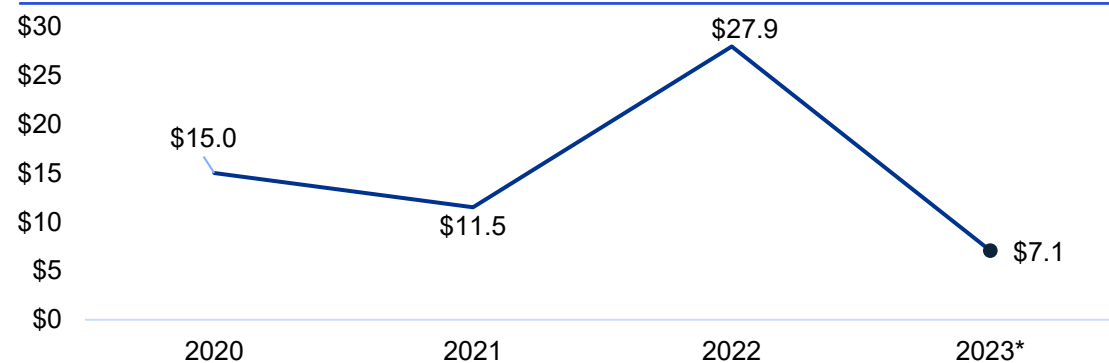
Regional insights — ASPAC

Valuations remain nuanced yet overall down

VC activity in fintech with corporate participation in Asia Pacific
2020–2023*

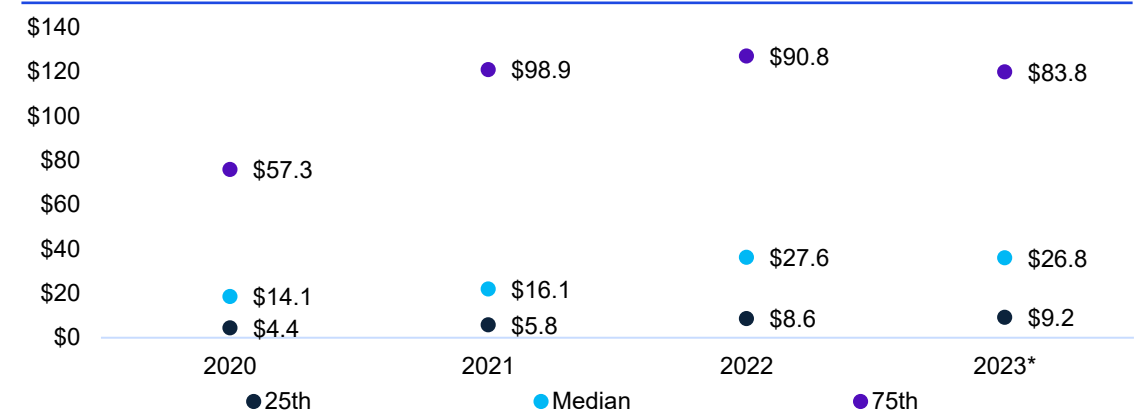


Median M&A size (\$M) in fintech in Asia Pacific
2020–2023*

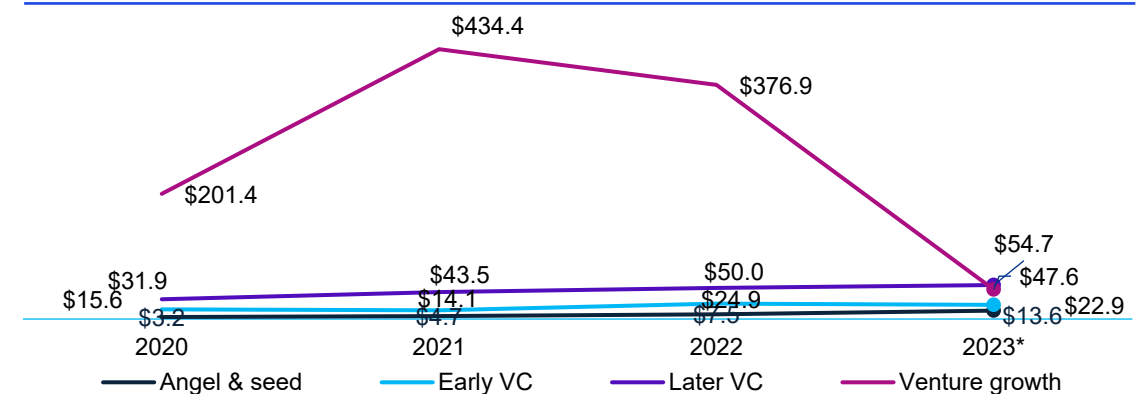


Source: Pulse of Fintech H1'23, Global Analysis of funding in Fintech, KPMG International (data provided by PitchBook), *as of 30 June 2023.
The figures for venture growth for 2020, 2022 and 2023 YTD are based on non-normative sample sizes. The median M&A size for 2023 YTD is based on a non-normative sample size.

Quartile post-money (VC, PE and M&A) valuations in Asia Pacific
2020–2023*



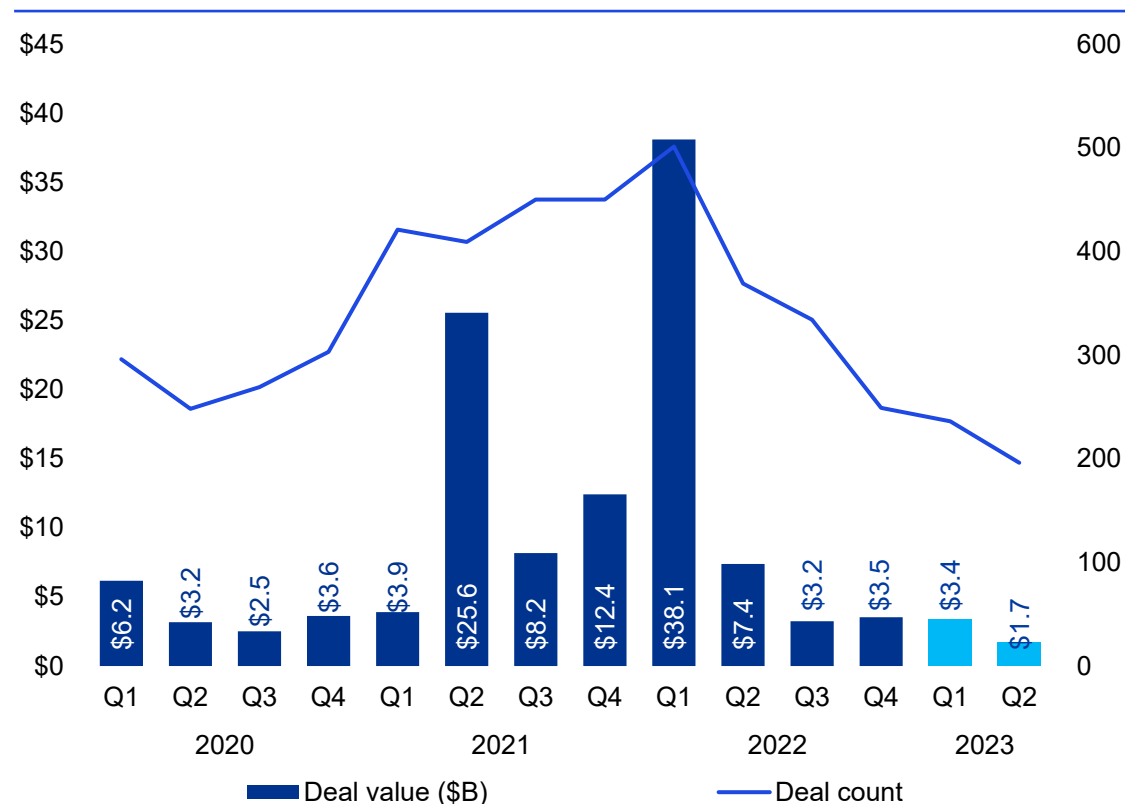
Median venture pre-money valuations (\$M) by stage in fintech in Asia Pacific
2020–2023*



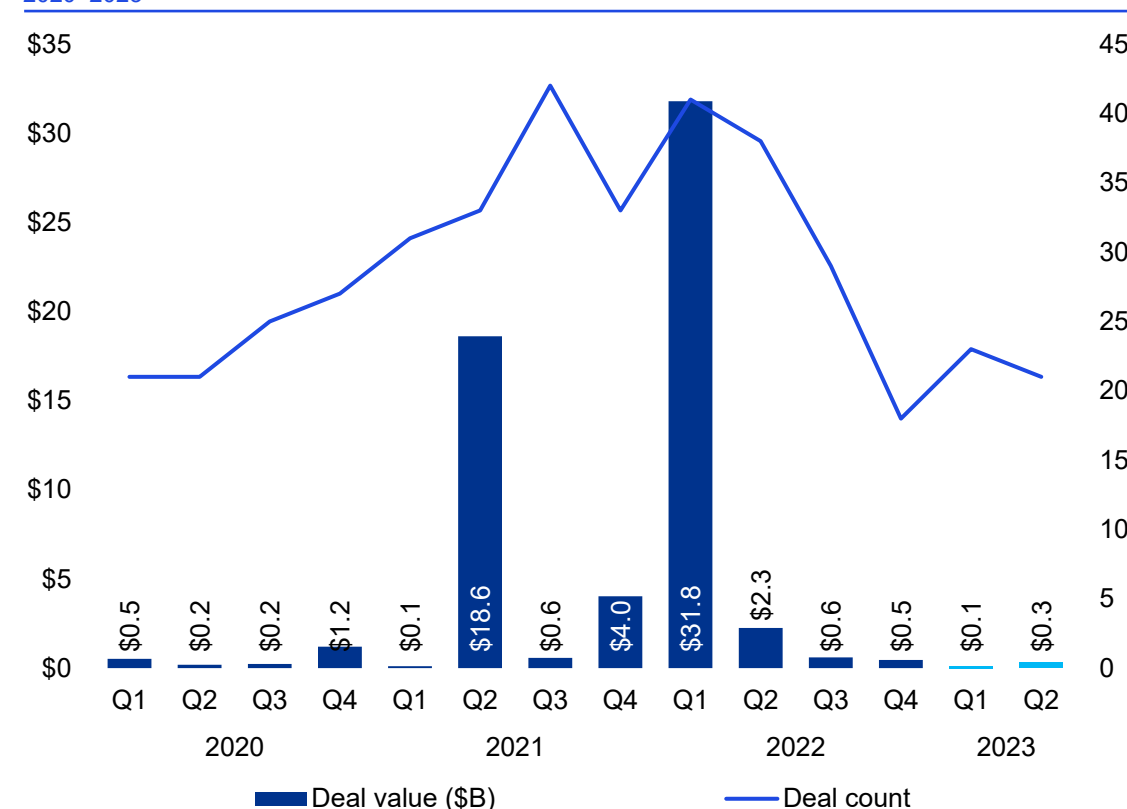
Regional insights — ASPAC

Dealmaking grinds to a halt

Total funding activity (VC, PE and M&A) in fintech in Asia Pacific
2020–2023*



M&A in fintech in Asia Pacific
2020–2023*

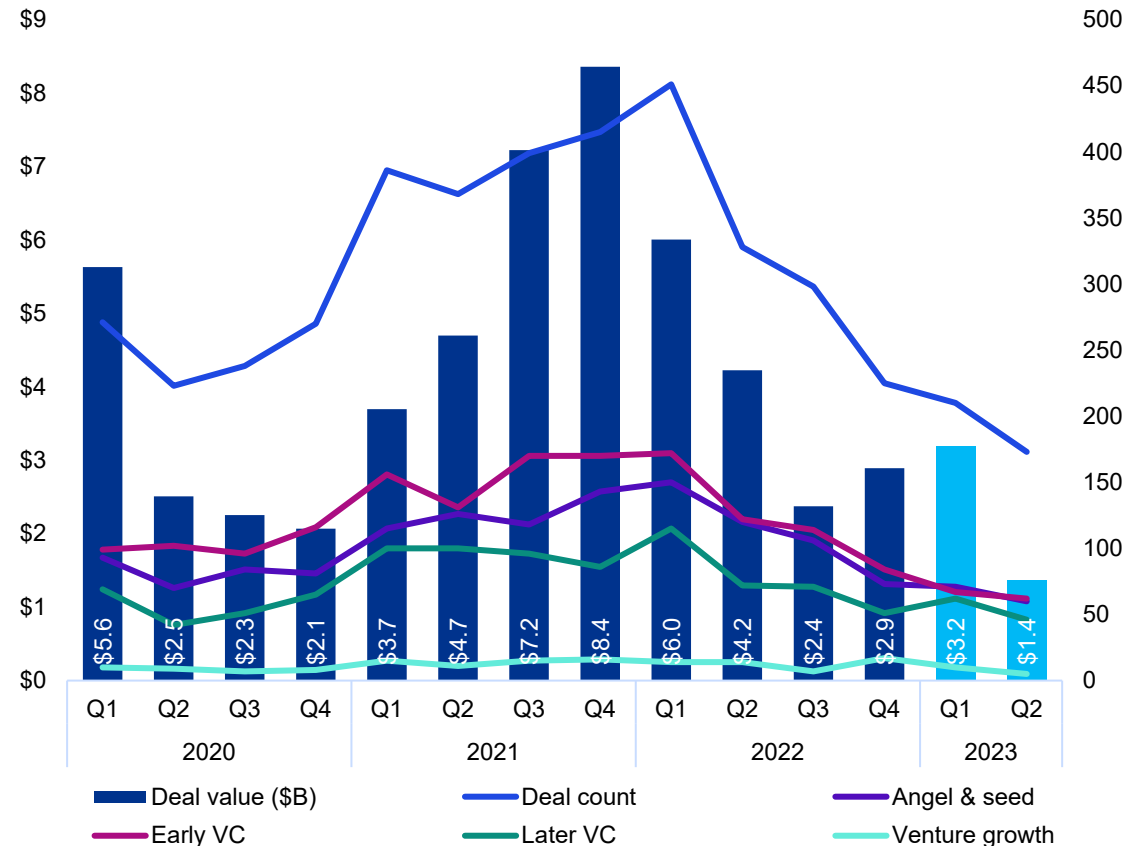


Source: Pulse of Fintech H1'23, Global Analysis of funding in Fintech, KPMG International (data provided by PitchBook), *as of 30 June 2023.

Regional insights — ASPAC

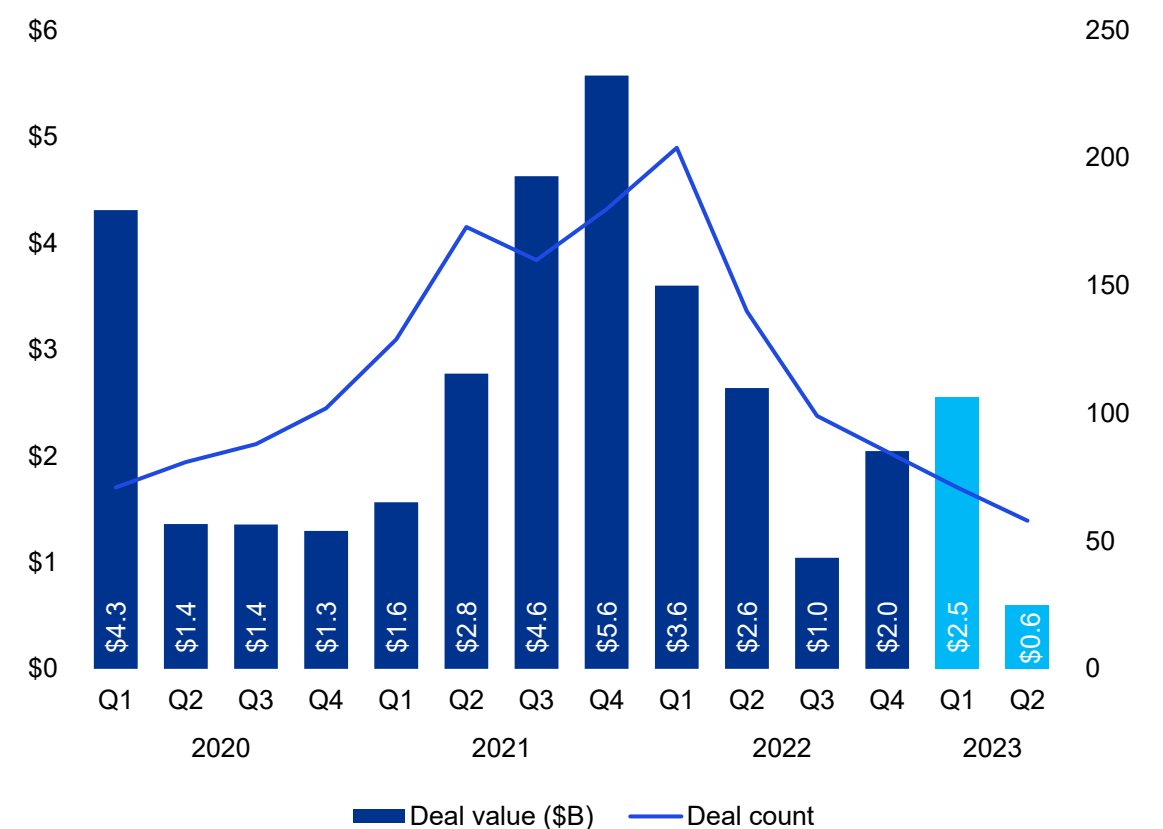
VC financing activity continues to slide

Venture capital funding activity in fintech in Asia Pacific
2020–2023*



Source: Pulse of Fintech H1'23, Global Analysis of funding in Fintech, KPMG International (data provided by PitchBook), *as of 30 June 2023.

VC activity in fintech with corporate participation in Asia Pacific
2020–2023*



ASPAC

Top 10 fintech deals in ASPAC in H1'23



1. **Chongqing Ant Consumer Finance** — \$1.5B, Chongqing, China — Consumer finance — *Late-stage VC*
2. **Vistaar Finance** — \$304M, Bengaluru, India — Lending — *Buyout*
3. **Kredivo Holdings** — \$270M, Singapore — Lending — *Series D*
4. **KreditBee** — \$200M, Bengaluru, India — Lending — *Series D*
5. **True Balance** — \$168.1M, Gurgaon, India — Lending — *Late-stage VC*
6. **Trusting Social** — \$105M, Singapore — Consumer finance — *Series D*
7. **Aspire** — \$100M, Singapore — Institutional/B2B — *Series C*
8. **IPX** — \$90.1M, Seoul, South Korea — Blockchain — *Seed*
9. **Lentra** — \$87M, Pune, India — Lending — *Series B*
10. **Gojo & Company** — \$80M, Tokyo, Japan — Lending — *Series E*

Source: Pulse of Fintech H1'23, Global Analysis of funding in Fintech, KPMG International (data provided by PitchBook), *as of 30 June 2023.

About the KPMG global fintech practice

The financial services industry is transforming with the emergence of innovative new products, channels and business models. This wave of change is driven primarily by evolving customer expectations, digitalization as well as continued regulatory and cost pressures.

KPMG firms are passionate about supporting clients to successfully navigate this transformation, mitigating the threats and capitalizing on the opportunities.

KPMG Fintech professionals include partners and staff in over 50 fintech hubs around the world, working closely with financial institutions and fintech companies to help them understand the signals of change, identify the growth opportunities and to develop and execute their strategic plans.

Visit kpmg.com/fintech



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About the report

Methodology

The underlying data and analysis for this report (the 'Dataset') was provided by PitchBook Data, Inc ('PitchBook') on 23 June 2023 and utilizes their research and classification methodology for transactions as outlined on their website at <https://pitchbook.com/news/articles/pitchbook-report-methodologies>. The Dataset used for this report considers the following funding transactions types: Venture Capital (including corporate venture capital) ('VC'), private equity ('PE') funding and Mergers and Acquisitions ('M&A') for the fintech vertical within the underlying PitchBook data. Family and friends, incubator and accelerator type funding rounds are excluded from the Dataset.

Due to the private nature of many of the transactions, the Dataset cannot be definitive, but is an estimate based on industry leading practice research methodology and information available to PitchBook at 12 January 2022. Similarly, due to ongoing updates to PitchBook's data as additional information comes to light, data extracted before or after that date may differ from the data within the Dataset.

Only completed transactions regardless of type are included in the Dataset, with deal values for general M&A transactions as well as venture rounds remaining un-estimated if this information is not available or reliably estimated.

Venture capital deals

PitchBook includes equity fundings into start-up companies from an outside source. Funding does not necessarily have to be taken from an institutional investor. This can include

funding from individual angel investors, angel groups, seed funds, venture capital firms, corporate venture firms and corporate investors. Fundings received as part of an accelerator program are not included; however, if the accelerator continues to invest in follow-on rounds, those further financings are included.

Angel/seed: PitchBook defines financings as angel rounds if there are no PE or VC firms involved in the company to date and it cannot determine if any PE or VC firms are participating. In addition, if there is a press release that states the round is an angel round, it is classified as such. Finally, if a news story or press release only mentions individuals making fundings in a financing, it is also classified as angel. As for seed, when the investors and/or press release state that a round is a seed financing, or it is for less than \$500,000 and is the first round as reported by a government filing, it is classified as such. If angels are the only investors, then a round is only marked as seed if it is explicitly stated.

Early-stage VC: Rounds are generally classified as Series A or B (which PitchBook typically aggregates together as early stage) either by the series of stock issued in the financing or, if that information is unavailable, by a series of factors including: the age of the company, prior financing history, company status, participating investors and more.

Late-stage VC: Rounds are generally classified as Series C or D or later (which PitchBook typically aggregates together as late stage) either by the series of stock issued in the financing or, if that information is unavailable, by a series of factors

including: the age of the company, prior financing history, company status, participating investors, and more.

Corporate venture capital: Financings classified as corporate venture capital include rounds that saw both firms investing via established CVC arms or corporations making equity fundings off balance sheets or whatever other non-CVC method actually employed.

Corporate/Growth: Corporate rounds of funding for currently venture-backed start-ups that meet the criteria for other PitchBook venture financings are included in the Pulse of Fintech as of March 2018. Growth: Financings tagged as Series E or later or deals involving companies that are at least seven years old and have raised at least six VC rounds will be included in this category.

Private equity fundings

PitchBook includes both buyout investors, being those that specialize in purchasing mainly a controlling interest of an established company (in a leveraged buyout) and growth/expansion investors, being those that focus on investing in minority stakes in already established businesses to fund growth. Transaction types include: leveraged buyout ('LBO'); management buyout; management buy-In; add-on acquisitions aligned to existing fundings; secondary buyout; public to private; privatization; corporate divestitures; and growth/expansion. Acquisition financing transactions will be included as of June 2023 if they do not fall under the PE growth transactional umbrella.

About the report

Methodology (cont'd)

M&A transactions

PitchBook defines M&A as a transaction in which one company purchases a controlling stake in another company. Eligible transaction types include control acquisitions, leveraged buyouts (LBOs), corporate divestitures, reverse mergers, mergers of equals, spin-offs, asset divestitures and asset acquisitions. Debt restructurings or any other liquidity, self-tender or internal reorganizations are not included. More than 50 percent of the company must be acquired in the transaction. Minority stake transactions (less than a 50-percent stake) are not included. Small business transactions are not included in this report. As of June 2023, acquisition financing transactions not covered under the PE growth umbrella will be included.

The fintech vertical

A portmanteau of finance and technology, the term refers to businesses who are using technology to operate outside of traditional financial services business models to change how financial services are offered. Fintech also includes firms that use technology to improve the competitive advantage of traditional financial services firms and the financial functions and behaviors of consumers and enterprises alike. PitchBook defines the fintech vertical as 'Companies using new technologies including the internet, blockchain, software and algorithms to offer or facilitate financial services usually offered by traditional banks including loans, payments, wealth or funding management, as well as software providers automating financial processes or addressing core business needs of financial firms. Includes makers of ATM machines, electronic trading portals and point-of-sale software.' Within this report, we have defined a number of fintech sub-verticals, some of which

are defined in existing PitchBook verticals yet others that are not and required a bespoke methodological approach:

1. **Payments/transactions** — companies whose business model revolves around using technology to provide the transfer of value as a service including both B2B and B2C transfers.
2. **Blockchain/cryptocurrency** — companies whose core business is predicated on distributed ledger (blockchain) technology with the financial services industry AND/OR relating to any use case of cryptocurrency (e.g. Bitcoin). This vertical includes companies providing services or developing technology related to the exchange of cryptocurrency, the storage of cryptocurrency, the facilitation of payments using cryptocurrency and securing cryptocurrency ledgers via mining activities.
3. **Lending** — any non-bank that uses a technology platform to lend money often implementing alternative data and analytics OR any company whose primary business involves providing data and analytics to online lenders or investors in online loans.
4. **Proptech** — companies that are classified as both fintech AND also who are developing and leveraging technology intended to help facilitate the purchase, management, maintenance and funding into both residential and commercial real estate. This includes sub-sectors such as property management software, IoT home devices, property listing and rental services, mortgage and lending applications, data analysis tools, virtual reality modeling software, augmented reality design applications, marketplaces, mortgage technology and crowdfunding websites.
5. **Insurtech** — companies utilizing technology to increase the speed, efficiency, accuracy and convenience of processes across the insurance value chain. This includes quote comparison websites, insurance telematics, insurance domotics (home automation), peer-to-peer insurance, corporate platforms, online brokers, cyber insurance, underwriting software, claims software and digital sales enabling.
6. **Wealthtech** — companies or platforms whose primary business involves the offering of wealth management services using technology to increase efficiency, lower fees or provide differentiated offerings compared to the traditional business model. Also includes technology platforms for retail investors to share ideas and insights both via quantitative and qualitative research.
7. **Regtech** — companies that provide a technology-driven service to facilitate and streamline compliance with regulations and reporting as well as protect from employee and customer fraud.
8. **AI & ML, ESG** — these companies are either tagged with fintech AND the existing PitchBook vertical of AI & ML, meaning they operate within both fintech and also employ AI & ML tools, models, etc. For ESG, this segment was defined utilizing existing PitchBook ESG-related verticals (e.g., cleantech) and the fintech vertical.



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