KPMG

The Pulse of Fintech 2019

Biannual global analysis of investment in fintech

31 July 2019

Welcome message

Welcome to the latest edition of KPMG's The Pulse of Fintech — a biannual report showcasing key activities and trends within the fintech market globally and in key regions around the world.

After a record-setting 2018, the first half of 2019 got off to a quiet start for fintech investment globally — mirroring a trend seen in the broader VC market. The steep drop-off in investment reflected the lack of blockbuster deals such as the $14 billion raise by Ant Financial or Vantiv's acquisition of Worldpay for $12.9 billion during H1'18. Global uncertainty, regulatory changes in China, and the US-China trade tensions likely also contributed to the decline.

Fintech investment in Asia Pacific plummeted during the first half of the year, driven by uncertainty and increased regulatory scrutiny in China. Meanwhile, despite the ongoing concerns around Brexit, fintech investment got off to a very strong start in Europe. While well off the pace required to match 2018's massive investment record, fintech investment in the Americas was also very good during H1'19.

After losing some of their lustre in 2018, blockchain-based cryptocurrencies got a fresh breath of life in H1'19 with Facebook's announcement of Libra — expected to launch in 2020. The new cryptocurrency is being jointly driven by the Libra Association — a consortium including organizations like Visa, Mastercard, Uber and Andreessen Horowitz.

While payments continued to draw the most significant attention from fintech investors across most jurisdictions, H1'19 also saw the continued maturation of the fintech industry as a whole and the broadening of its definition. Areas like wealthtech, proptech and regtech also grew on the radar of investors.

We discuss these trends and other issues in this edition of the Pulse of Fintech, in addition to delving into key questions permeating the fintech market today, including:

— What is driving the strength of Europe's fintech market?
— What are wealthtech and proptech — and how are they evolving into key areas of investment?
— How is cross-border investment propelling the fintech industry forward?
— What does the Facebook Libra announcement mean for cryptocurrencies?
— How are regulatory changes in China impacting fintech investment?

We hope you find this edition of the Pulse of Fintech insightful and informative. If you would like to discuss any of the information contained in this report in more detail, contact a KPMG advisor in your area.

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

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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.

Ian Pollari
Global Co-Leader of Fintech, KPMG International and Partner,
KPMG Australia

Anton Ruddenklau
Global Co-Leader of Fintech, KPMG International and Partner,
KPMG in the UK

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In H1 2019, global investment in fintech companies hit

$37.9B

with

962 deals

Lack of massive deals brings down global fintech investment in H1'19

Both the number of global fintech deals and the total global investment in fintech dropped in H1'19, driven primarily by the lack of massive deals like 2018's $14 billion raise by Ant Financial, or the $12.9 billion acquisition of Worldpay by Vantiv. Despite the lack of mega-deals the fintech market in most areas of the world remained relatively strong and well-poised for growth.

Number of deals down as investors become more discerning

Reflecting deals seen in the broader investment market, global fintech investors showed a preference toward a smaller number of larger deals during H1'19, particularly in the more mature markets — such as US, Germany, the UK and fintech verticals — like payments and lending. In these sectors, investors have gained a better sense of the vertical winners and the emerging platforms that will be sustainable, and concentrated their investments accordingly. The next 12 to 24 months will be a critical period for many platforms that haven't been able to achieve scale; consolidation is likely to increase as they look for ways to survive and gain market share.

Asia Pacific drives drop in fintech funding, while UK and US maintain solid investment levels

Asia Pacific accounted for the vast majority of the global decline in fintech funding, with both the number of fintech deals and the amount of fintech investment plummeting in H1'19. Trade tensions, combined with changing fintech regulations and Beijing's increasing focus on the industry, made many fintech investors in mainland China more hesitant over the first half of the year.

Challenger banks were a hot topic in Asia Pacific during H1'19, with the issuance of eight digital banking licenses in Hong Kong (SAR), China, and China and Singapore's announcement that it will also issue up to five digital banking licenses. The Singapore licenses may be particularly disruptive as the Monetary Authority of Singapore (MAS) is reportedly considering issuing licenses to non-banking entities in other sectors such as telecom and ride-hailing. These licenses are expected to spur ongoing interest in challenger banking in the region.

Europe sees record-setting pace for VC funding for fintech

While M&A activity in Europe dropped considerably compared to H2'18, Europe had a strong quarter in other areas of fintech investment. Despite the Brexit uncertainty permeating the first half of 2019, Europe got off to a record-setting pace with respect to VC investment fintech. International investors were critical for driving the largest deals in Europe during H1'19, including the $6 billion Concardis buyout by US-based Advent International and Bain Capital Private Equity, the $1.3 billion acquisition of France-based eFront by US PE firm BlackRock, and an $800 million investment in alternative wealth management company Greensill Capital by Japan's SoftBank Vision Fund.

While lower than H2'18, fintech investment in the Americas remains strong and diverse

The Americas saw a great start to the year in terms of fintech investment. While well off pace to match 2018's massive investment high, investment was very strong compared to all years previous. While the US dominated the fintech investment space, Canada and Latin America also saw big deals in H1'19. Three enormous M&A deals were also announced in H1'19, including Fidelity's acquisition of Worldpay ($43 billion), Fiserv's acquisition of First Data ($22 billion), and the merger of Global Payments with Total System Services ($21.5 billion). Should these deals close before the end of the year, the US will easily set a new record for total fintech investment.

Regtech industry showing normal growth volatility after strong 2018

While there was a boom in regtech investment in 2018, in H1'19, both the number of deals and total funding dropped considerably. This highlights a distinct trend of peaks and valleys seen in regtech investment since 2014. Given regulations like GDPR, PSD2 and MiFID II/MIFIR, regtech will likely continue to be a major focus for investment for the foreseeable future.

Globally, a number of financial institutions are investing in regtech in order to fill compliance gaps, reduce the cost of compliance, integrate and get ahead of new requirements, and even detect enterprise risks before the regulators. As digitalization, machine learning and AI reshape the financial services landscape, business models and risks are also becoming more complex — which only increases MMR risks. Over the next few years, there will likely be rigorous investment in building out regtech solutions focused on MRM controls, validation, and governance.

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Lack of massive deals brings down global fintech investment in H1'19 (cont'd)

While much of the regtech investment focus has been driven from the EU, activity in Asia Pacific is increasing. Singapore's FinTech Association recently launched a SFA regtech sub-committee to promote regtech innovation and adoption of technologies and to work with other associations (e.g. Hong Kong (SAR), China, Japan) to promote the application of regtech. In Hong Kong (SAR), China, the HKMA continues to manage a fintech sandbox to help drive innovation, while the Securities and Futures Commission is in the process of assessing the potential for regtech. Both China and Australia are also zoning in on regtech, with the China Securities Regulatory Commission pushing for the adoption of regtech to help strengthen controls over fintech usage, while the Australian Securities and Investments Commission is funding studies to investigate how NPL could help detect misconduct and improve regulation.

Maturing approach to blockchain investment

After a significant period of hype, blockchain investors have started to take a more mature approach to investing in blockchain, focusing on real-world applications and opportunities, such as remittances, trade financing and loyalty program tokenization. There has also been a trend toward multiple financial services organizations working together to reimagine global trade and to rewire industries using blockchain solutions to make them more efficient. This will be a key area to watch as it could see some significant investments and partnerships over time.

Facebook's Libra announcement enhancing focus on cryptocurrencies

While investor interest in cryptocurrencies waned in 2018, during H1'19, Facebook introduced the concept of a new cryptocurrency, Libra, which it hopes to launch in 2020. A number of global companies have bought into Libra. In addition to Facebook, Visa, Mastercard, Paypal, Ebay, Stripe, Mercado Libre, the Creative Destruction Lab and others have combined to form the Libra Association. This association is working to implement the proposed cryptocurrency at a scalable level. The announcement was met with some skepticism and sparked significant concerns from a government regulatory perspective. Investors will no doubt be watching the Libra initiative closely over the next few months as Facebook and the Libra Association try to overcome the significant challenges they face with respect to launching the cryptocurrency.

Investor interest in cybersecurity growing amidst new threats and opportunities

Fintech investors are shifting focus to enhancing cyber security and risk monitoring in response to increasing cyber threats and stringent regulatory requirements, such as the Senior Managers and Certification Regime in the UK, and greater scrutiny on the effectiveness of their Know Your Customer checks, anti-money laundering, and fraud prevention controls which work in conjunction with cyber security. Corporate investment has been particularly strong as established financial services firms look to manage and mitigate cyber risks emerging from outside of their environments, such as in their supply chains. Key areas of investor interest are varied, ranging from the use of AI and machine learning to deep data analytics to provide more effective threat intelligence, real-time risk monitoring, and/or enhancing risk quantification. As banks, industries, and cities become more integrated and interconnected, the focus on cybersecurity is only expected to increase.

Open banking and open data a big driver of investment

Open banking and open data continued to be front and center for incumbent and challenger banks alike. Fintech companies are not only providing customer-focused value propositions but also seizing opportunities to help incumbent banks leverage open banking (e.g. data sharing, customer management, consent, entitlement and digital identity management). For their part, incumbent banks are allying with fintechs to gain access to the technologies required to improve their customer experience.

Looking forward, open banking is expected to continue to act as catalyst for the development of partnerships that will both allow fintechs to grow and incumbent banks to enhance their competitiveness in the digital banking era.

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Lack of massive deals brings down global fintech investment in H1'19 (cont'd)

Insurtech continues to attract large funding rounds

Insurtechs had a banner year in 2018 in terms of funding, with 14 insurtech deals at $100 million or more. The strong pace of investment showed no sign of easing in the first half of 2019. Globally, in the first 6 months alone there were 74 deals with a total value of $1.15 billion.

One shift seen in insurtech investment during the first half of 2019 was the spread of investments, with deals expanding beyond P&C and life insurance and into complementary segments such as payments. In response to disruption, incumbent insurers also increasingly invested in insurtechs.

Insurtech solutions are continuing to expand, with the industry rapidly embracing artificial intelligence. Lemonade, for example, uses its bot, Maya, to help expedite the claims process and formulate the best insurance plans for customers. On-demand insurance is also on the rise, with many insurance companies now offering some form of on-demand service.

Tech giants make bold moves

The first half of 2019 saw some significant moves by the big tech giants. Apple unveiled the Apple credit card, which is backed by Goldman Sachs and carries a Mastercard logo, while Facebook proposed the creation of cryptocurrency Libra. Other tech giants continued to actively participate in many of the larger deals during H1'19 including a significant investment by Tencent into N26 and Ant Financial's acquisition of UK payments giant WorldFirst.

As tech giants continue to move into the financial services arena, they bring with them the benefit of strong brands and a consumer perception of simplicity and ease of use. Along with its credit card, Apple is extending its value relationship with customers by offering a 2% cash back rewards program. Armed with vast quantities of data to tell them what consumers want and when, the Global tech giants are at a significant competitive advantage with respect to predictive behaviour and suggested shopping.

Given the bold moves being made by the tech giants and the growing competitiveness within financial services in most jurisdictions, it is expected that incumbents will need to respond quickly. Super apps are expected to be a key battleground. As both services and consumer demand aggregate around these single points of access, which most likely will include a banking interface, the question is whether there will be one or several dominant super apps.

Digital banking — Fintechs mature and look to expand

Digital banks continued to draw significant venture capital interest during H1'19, not only in Europe, but globally. Digital banks in Europe have matured quickly, with a number now focused on international expansion. OakNorth, for example, is expected to use the funds from its latest funding round to fuel expansion into the US. A number of UK and Germany-based challenger banks are also looking to expand outward, including: Monzo, which announced plans to offer services in the US; Revolut, which announced the launch of a beta version of its app in Australia; and N26, which recently announced plans to launch its retail banking service in Brazil.

Challenger banks were also a hot topic in Asia Pacific during H1'19, with the issuance of eight digital banking licenses in Hong Kong (SAR), China and Singapore's announcement that it will also issue up to five digital banking licenses. These licenses are expected to spur ongoing interest in challenger banking in the region.

Trends to watch for globally

The fintech market globally is expected to be hot heading into the remainder of 2019, particularly given the large M&A deals that could close in the US. Payments is expected to continue as the hottest area of investment, while regtech, cybersecurity, wealthtech and proptech are all well positioned for growth — in addition to B2B platform services. Consolidation in payments and other mature areas of fintech will likely speed up as winners continue to solidify their market share. Global expansion of fintechs and global investments are also expected to continue for the foreseeable future.

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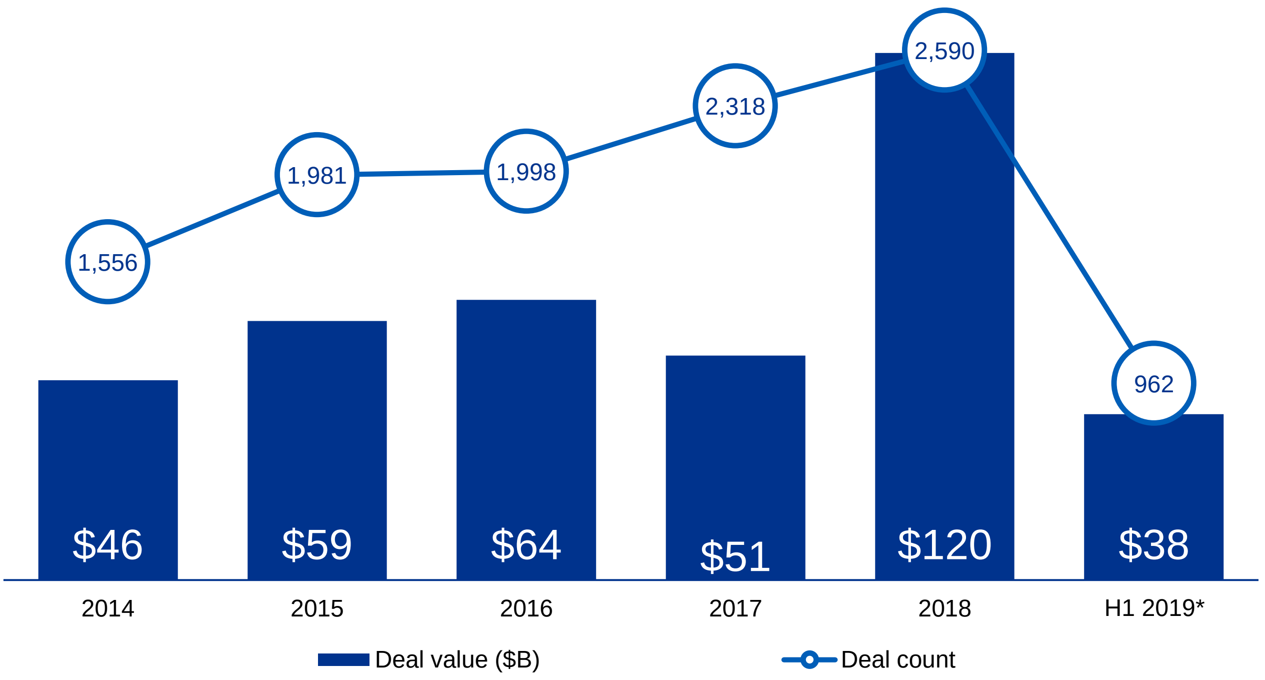
Slower start after a high

Total investment activity (VC, PE and M&A) in fintech
2014–H1 2019*



Source: Pulse of Fintech H1'19, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), * as of June 30, 2019.
Note: refer to the Methodology section at the end of the document to understand any possible data discrepancies between this edition and previous editions of The Pulse of Fintech.

After a record year for deal value and count, 2019 is proving to be off to a slower start for fintech. However, this slow start must be put in context. Not only are there multibillion-dollar deals inked but yet to close, but also, the current pace of deal value, should it be maintained, would result in 2019 being the second-most investment-rich year of the decade by far. The volume diminution is more a sign of inflated prices in VC taking a toll on overall activity, particularly at the early stage, so it is more a product of supply and demand rather than an overt signal of a winding-down cycle.

"It's going to take some time for open banking to gain customer traction in many markets as observed in the UK. However, we expect that in five years' time we will look back at open banking as a major driver of industry change."

Ian Pollari
Global Co-Leader of Fintech
KPMG International

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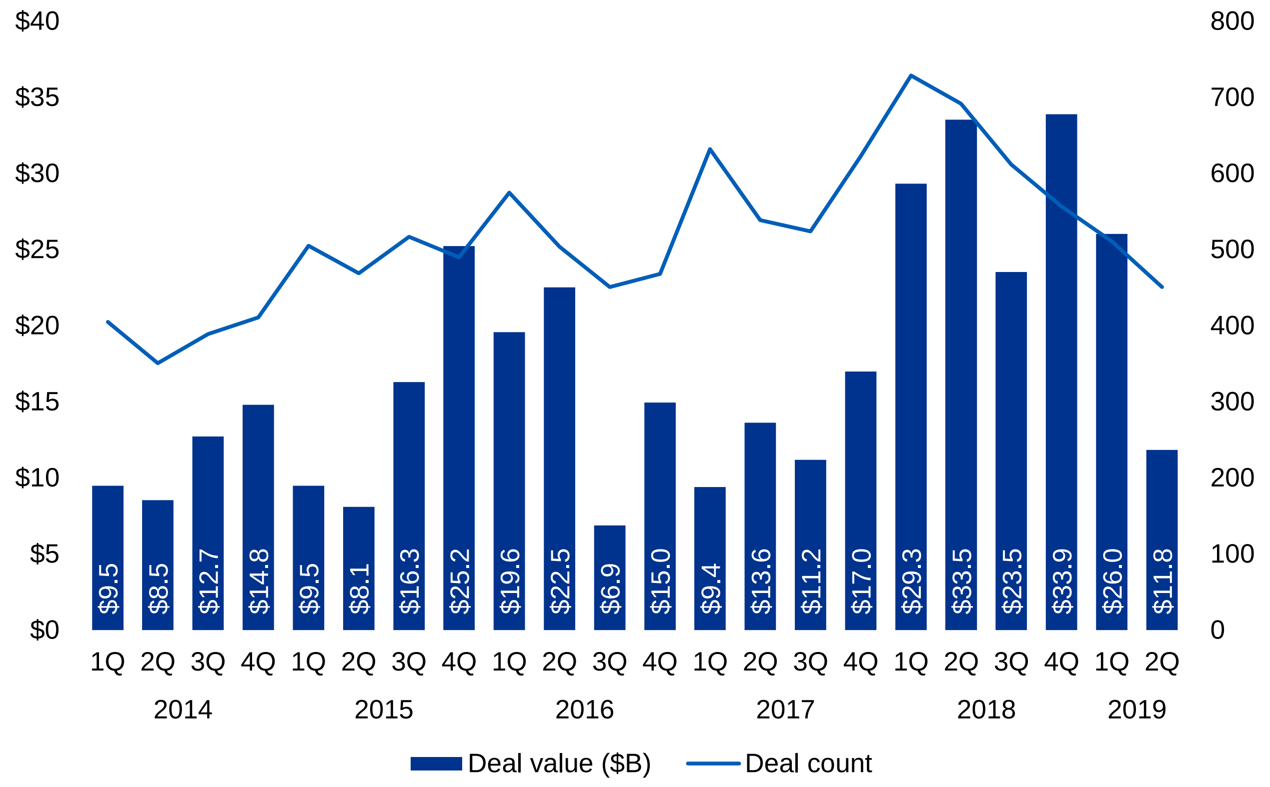
Volume may even out

Total investment activity (VC, PE and M&A) in fintech

2014–Q2'19



Source: Pulse of Fintech H1'19, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) June 30, 2019.
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After a blockbuster pair of quarters in 2018, the first quarter of 2019 proved to be a tad more sedate, in terms of deal value recorded. Q2 was even quieter. However, together they add up to another very strong year for fintech capital investment. Interestingly, deal volume recorded another lackluster slide, capping off five straight quarters of diminishing counts. VC activity, or rather lack thereof, plays a large role in the decline. This suggests that the industry as a whole may be cycling through a typical settling period as more mature M&A dominates investment activity while the venture pipeline refills.

"One dimension clearly getting more attention globally is the role of the big techfins — the hyperscale big tech companies. In the first half of the year, they've made some quite substantial moves in financial services. And the reason this is relevant is that it really heightens the competitive environment and strategic decision-making of incumbents in the financial services industry."

Anton Ruddenklau
Global Co-Leader of Fintech
KPMG International

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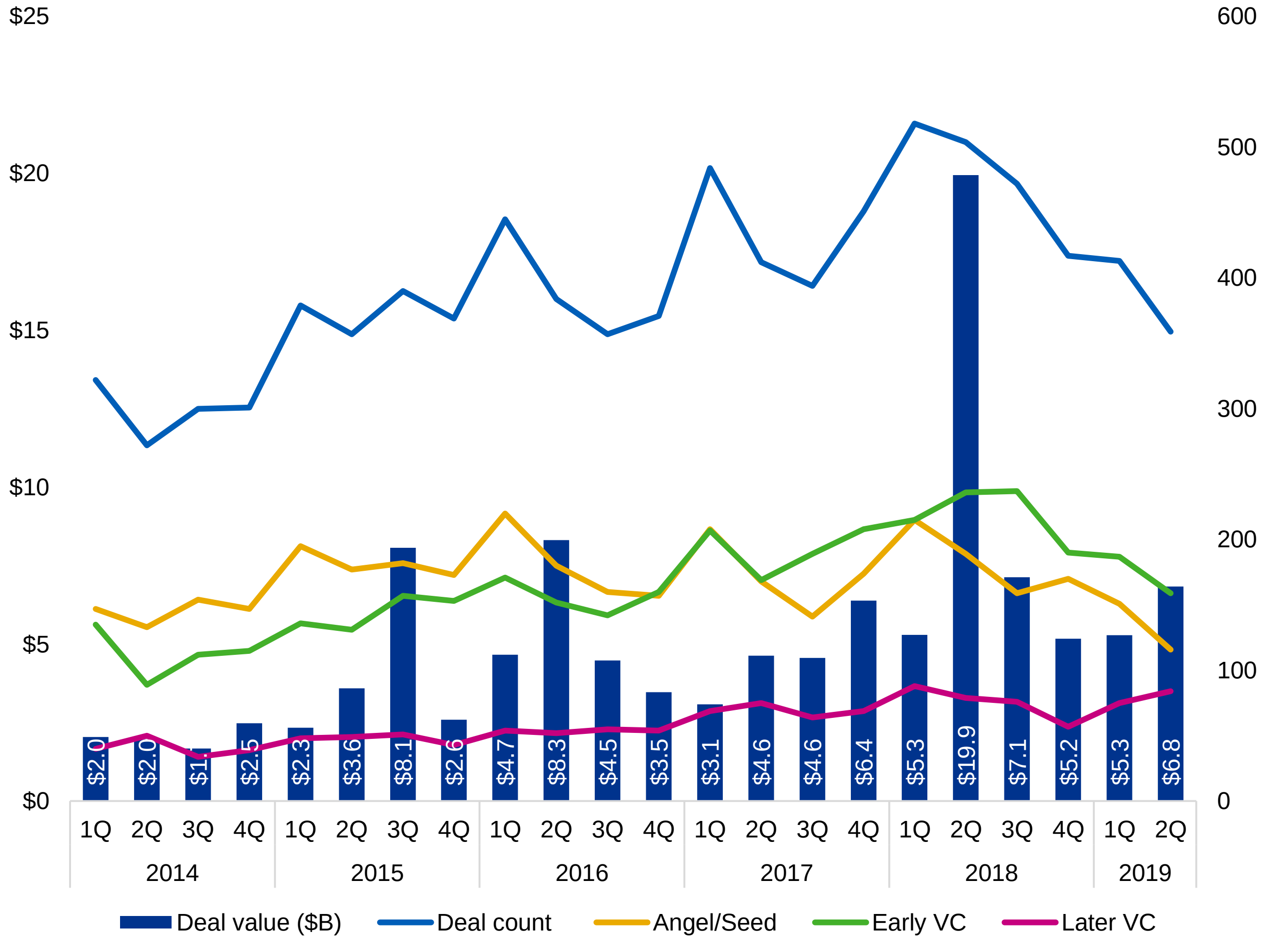
Early-stage declines impact overall tallies

Global venture activity in fintech
2014–Q2'19



Source: Pulse of Fintech H1'19, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) June 30, 2019.

When breaking down VC activity by stage, the earliest stage of the venture cycle has seen the most significant declines in volume since a peak in 3Q 2018. Granted, private market cycles run quite long, so even this reversal could even out sooner than expected. However, given VC invested has remained high, it is likelier that the investment cycle is slowly turning over as high prices contribute to early-stage volume decline, and late-stage funds grow increasingly concentrated in the crop of companies that emerged as category leaders.

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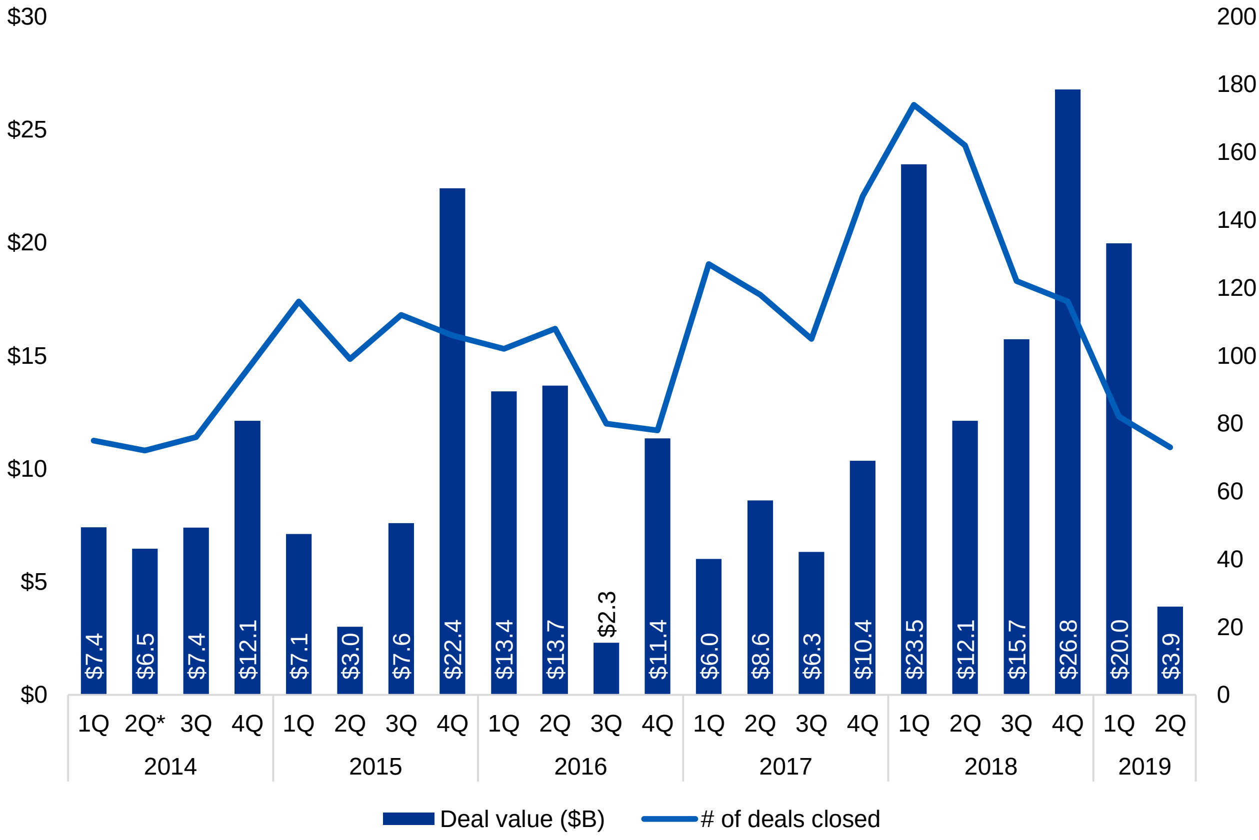
M&A grows more protracted

Global M&A activity in fintech
2014–Q2'19



Source: Pulse of Fintech H1'19, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) June 30, 2019.

2018 was marked by remarkably strong, blockbuster M&A transactions. 2019 is no exception when looking at announced deals, with Worldpay, First Data and Total System Services all among the companies currently undergoing multibillion-dollar acquisitions. However, until those deals land, 2019's first half took a bit of a breather.

"Open banking (and the wider concept of open data) is giving a shot in the arm to fintechs. It lends older fIntech categories like personal finance management a new lease on life. At the same time, it is also stimulating activity from companies in different sectors. The big techs, telcos, retailers: they have many customers, and know a lot about them. Open data is making it easier for them to leverage the data that they have against financial services information to create new offerings."

David Milligan
Global Lead, KPMG Matchi and Associate Director
KPMG in South Africa

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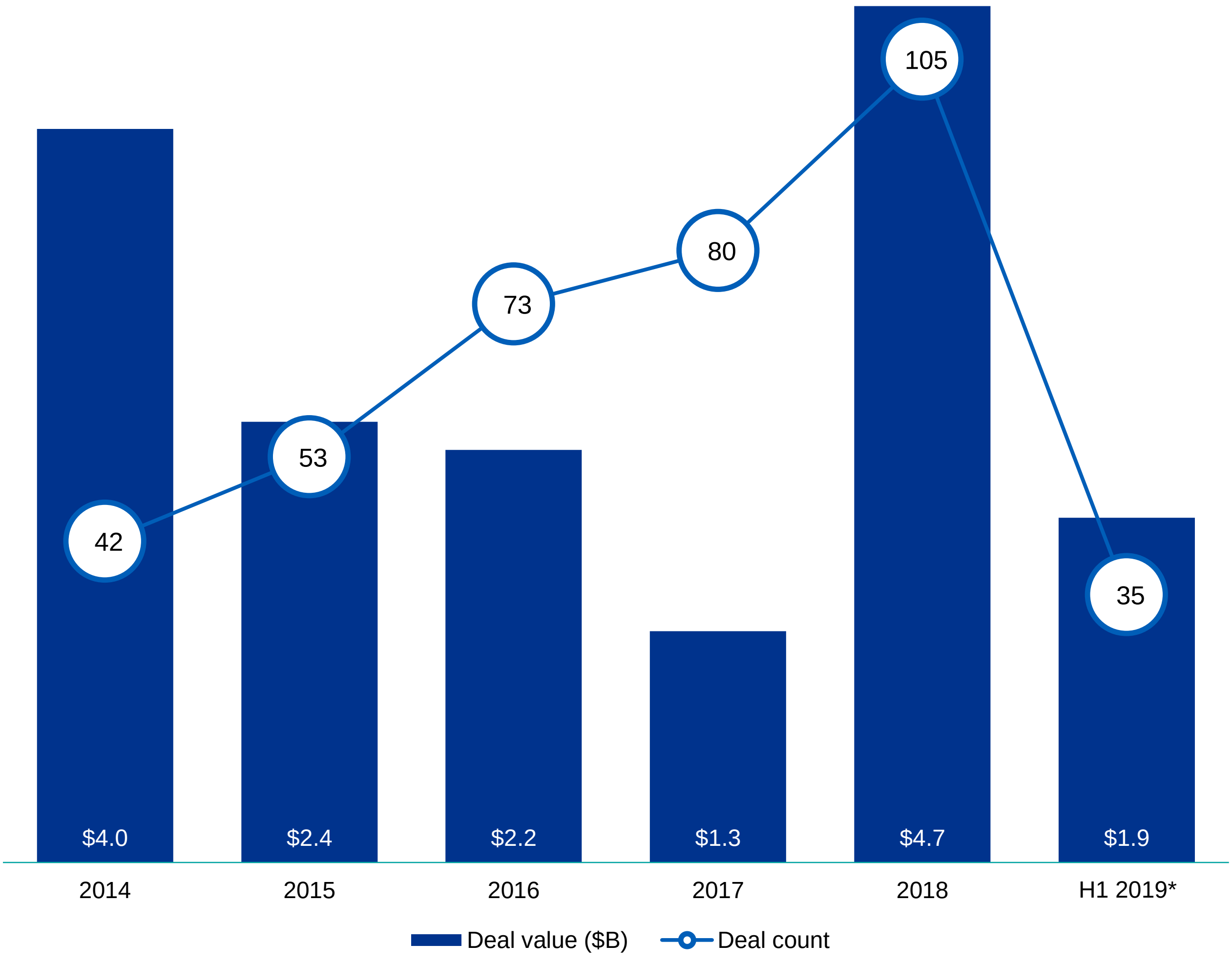
PE firms still piling in

Global PE growth investment activity in fintech
2014–H1 2019*



Source: Pulse of Fintech H1'19, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of June 30, 2019.

PE firms have grown increasingly active in fintech as the space has matured, producing category leaders and more robust companies that fit PE investing better than VC investment. Concurrently, the advancing trend of more PE firms investing in tech in general also helped generate interest in financial software businesses. In 2019 to date, PE firms are still quite active, with deal value soaring close to $2 billion already.

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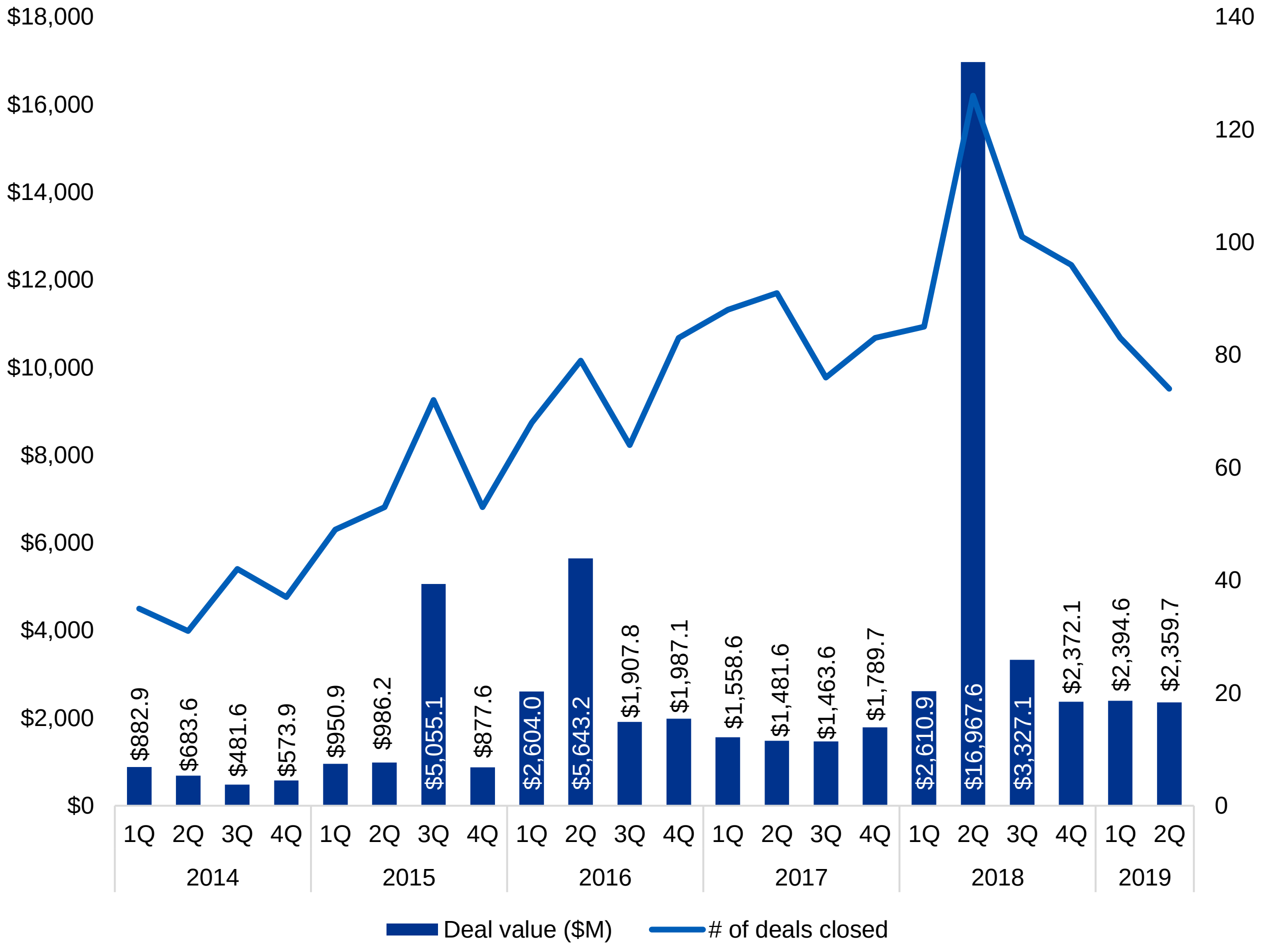
Corporates pull back

Global venture capital activity in fintech with corporate participation

2014–Q2'19



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Especially within fintech, the role of corporate investors and their venture arms has been more pronounced across the global landscape than in many other sectors, primarily due to fintech's unique properties and business opportunities within legacy financial services. It must be noted, given the slowdown after the outlier-skewed 2018, that corporate players are still on pace to record close to 300 transactions, which is quite historically strong. Moreover, deal value is also on a healthy pace.

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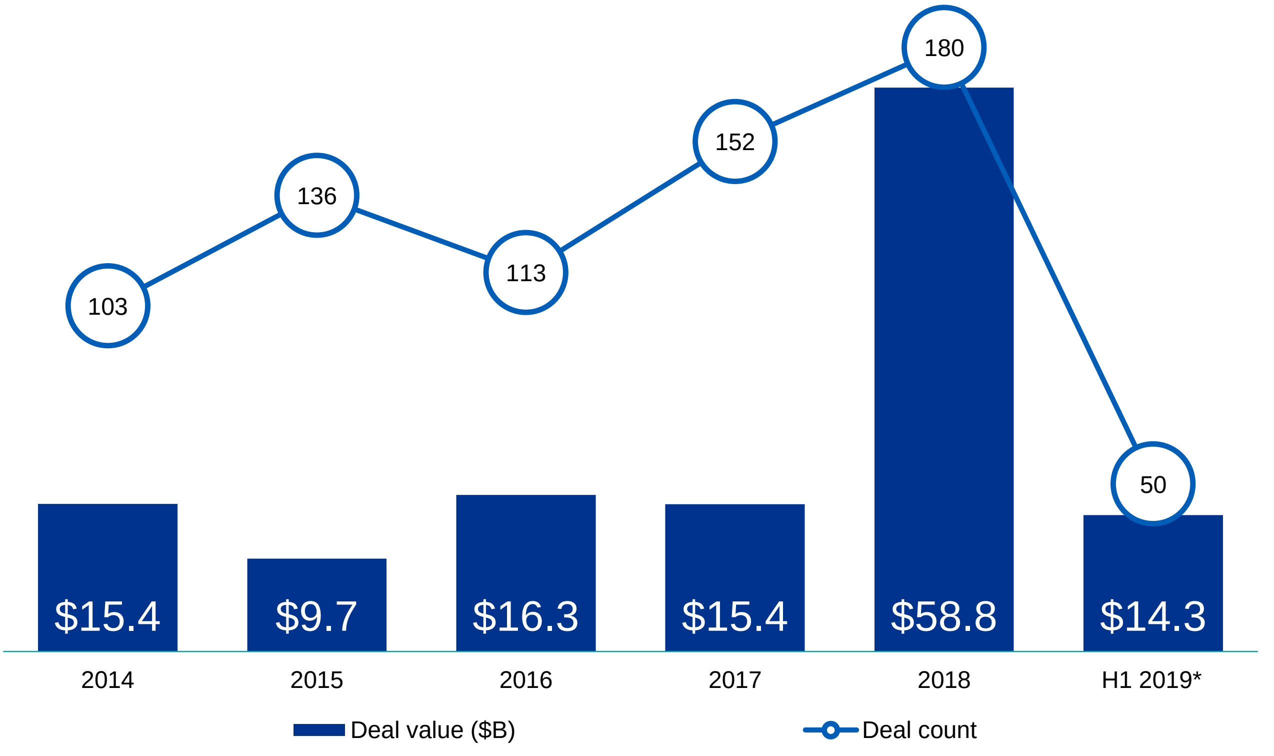
Policy risks exert an impact

Global cross-border M&A activity in fintech
2014–H1 2019*



Source: Pulse of Fintech H1'19, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) June 30, 2019.

2018 was an outlier year for consolidation and cross-border activity in general. It is hard not to analyze the decline since in the broader context of a much more geopolitically volatile 2019 thus far. Upticks in regulations and much more stringent monitoring activity on the part of agencies such as CFIUS have doubtless contributed to slowing M&A activity overall. For example, although announced in March 2019, just recently the Worldpay-FIS merger finally got the green light by EU authorities.

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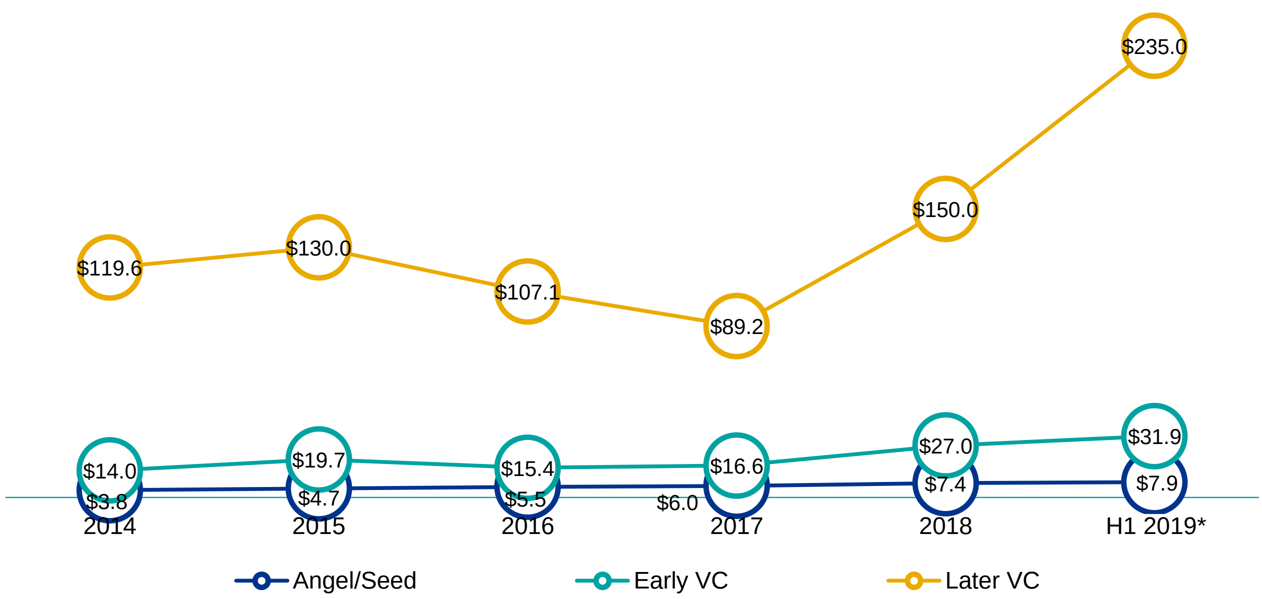
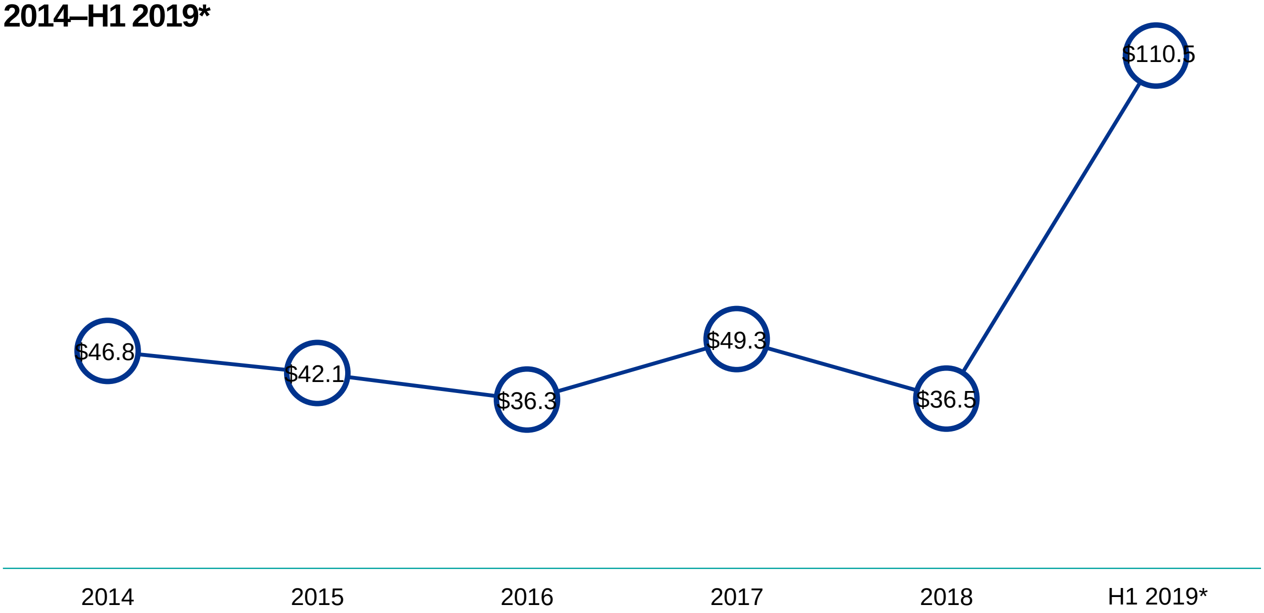
Highs across the board

Global median venture pre-money valuations ($M) by stage in fintech
2014–H1 2019*



Global median M&A ($M) size in fintech
2014–H1 2019*



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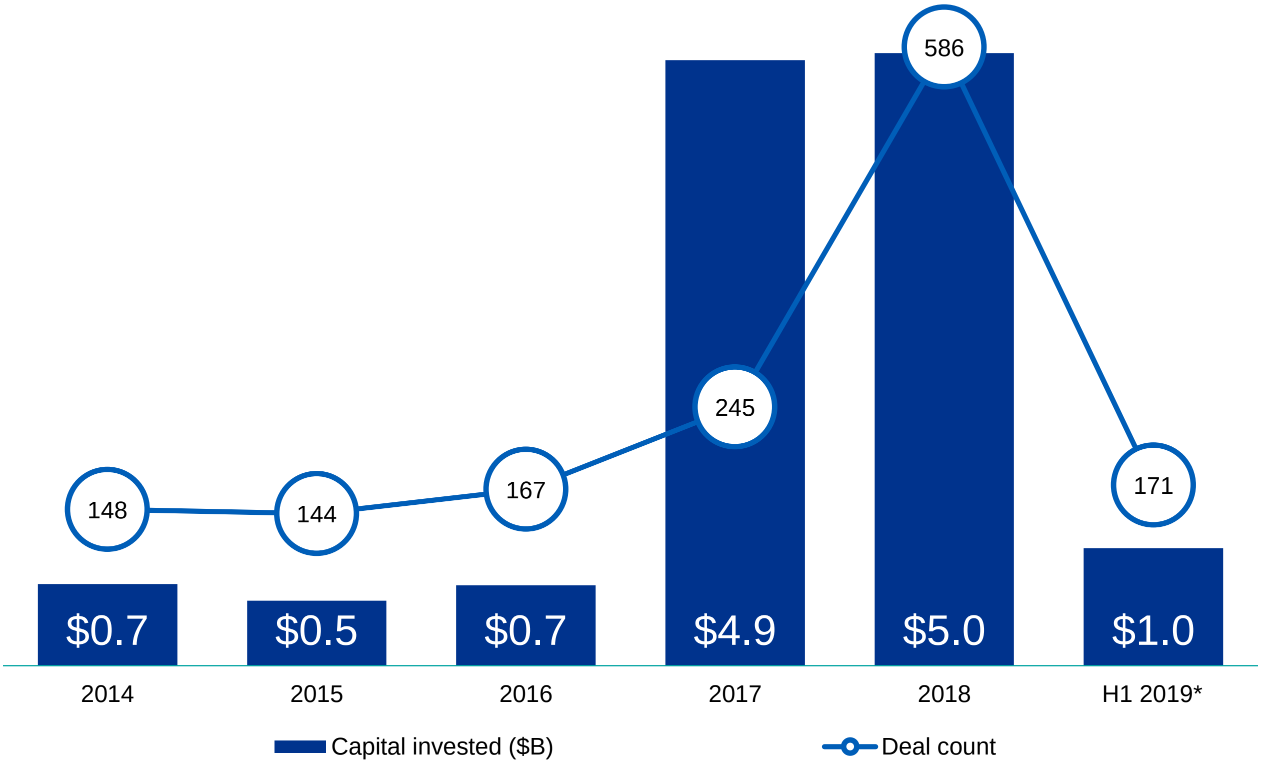
Blockchain bust

Global private investment (VC, PE and M&A) in blockchain & cryptocurrency

2014–H1 2019*



Source: Pulse of Fintech H1'19, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of June 30, 2019.

Last year saw more private investment by count within the blockchain and cryptocurrency space than ever before. This year is turning out a little differently, with good reason — a slower investment pace after any such single-year surge is only to be expected, given reversion to the mean. More importantly, it must be noted that even this year's slowing activity is on pace to yield 300+ transactions, more than any other year. Pairing that pace with the return to normal levels of VC invested, it's clear that investors are simply biding their time while the flock of heavily funded blockchain companies in the past 2 years prove which solutions actually work.

"Blockchain is certainly here to stay. While funding may have slowed this year, it simply shows the growing maturity of the market. It's a sign that investors are moving away from the 'fear of missing out' mentality that had many investors pushing a silly amount of money into investments — and are making more mature investment decisions and focusing on more meaningful initiatives."

Laszlo Peter
Head of Blockchain Services, Asia Pacific
KPMG Australia

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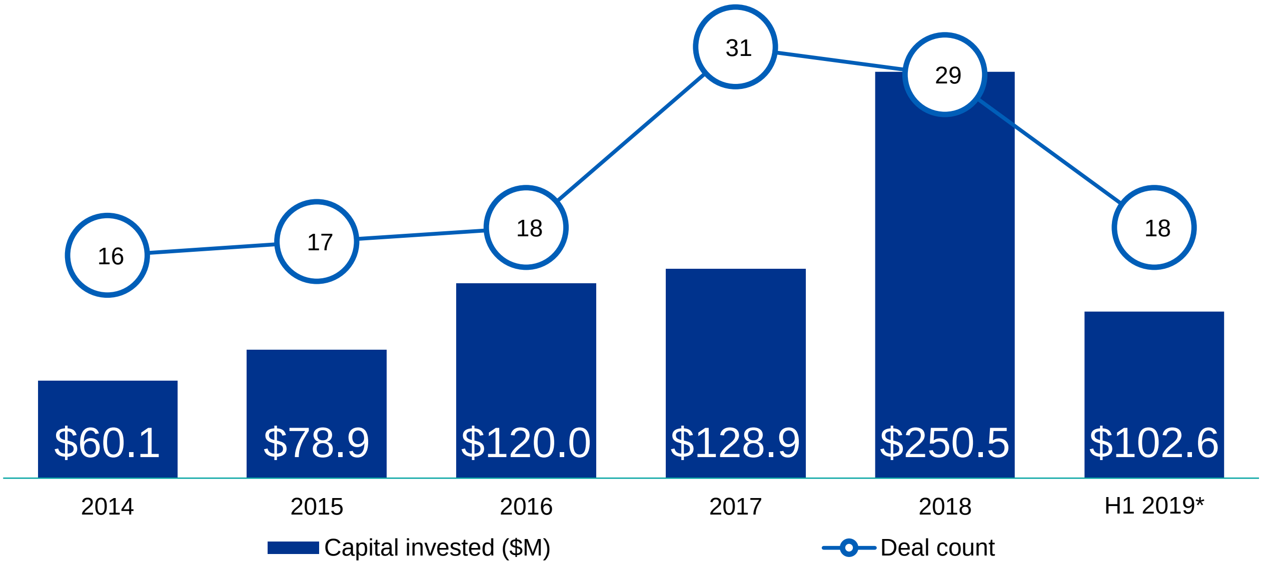
Security stays strong

Global private investment (VC, PE and M&A) in fintech: Cybersecurity

2014–H1 2019*



Source: Pulse of Fintech H1'19, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of June 30, 2019.

Analyzing fintech's intersection with other key arenas has produced intriguing insights, particularly the overlap between fintech and cybersecurity. Pure-play solutions in this realm are not quite as common as one would suspect, hence the overall levels of private investment are more muted than others, but over the past few years, they have been quite persistent and robust. This year is on pace to record potentially a slight new high in volume, as companies tackle the vexing and pressing problems of securing financial value chains from myriad threats.

"We have seen significant investment in cyber security from financial services firms in response to increasing cyber threats and stringent regulatory requirements. However, firms are now having to justify this investment to their boards and demonstrate a clear return on investment which is a challenge. Risk quantification, showing spending $X will reduce cyber risk by Y, is still maturing; making it difficult to clearly show the return on investment. Nevertheless, with the ever-growing interconnectedness of our digital economy and society, evidenced in the development of 'Smart Cities' for example, helped by technology developments like 5G, financial services will only become more interconnected with each other and with their customers.

Consequently, we will see growing numbers of threats and attack vectors, banks and the financial sector need to start planning for this. The sector needs to build an understanding of how technology changes, like 5G, will impact their business and eco-system. Financial services firms will need to think about security differently. They really need to embrace and deliver security by design (not as an add-on) and understand new and more agile ways of working with regulators, local governments, and national governments to start help shaping the future of the interconnected, digital age, such as 'Smart Cities', 5G, and new technologies like Blockchain and artificial intelligence."

Bia Bedri
Global Cyber Lead, Banking & Capital Markets,
KPMG International

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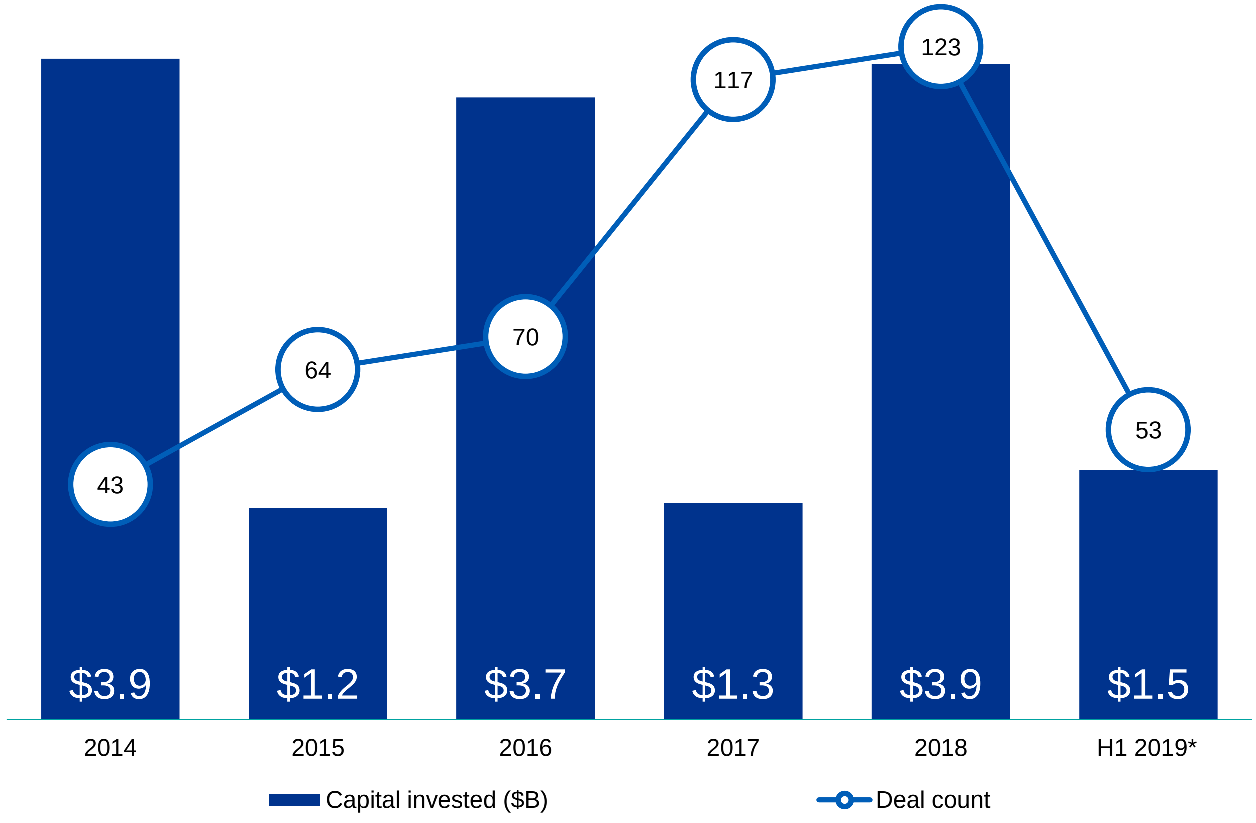
Deal value stays robust

Global private investment (VC, PE and M&A) in Regtech

2014–H1 2019*



Source: Pulse of Fintech H1'19, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) June 30, 2019.

Regtech pure-play solutions are not as prolific as other fintech segments, but as regulatory burdens continue to evolve and proliferate, more businesses are either being founded or consolidated across multiple jurisdictions. Although volume is off thus far in 2019 from prior highs, the surge in deal value is already higher than prior years' totals, suggesting consolidation in particular is driving overall activity in the regtech space this year.

"Regtech is still a very active area of investment — and that's because the regulatory landscape has expanded significantly in recent years, creating more opportunity for risk, regulatory and compliance gaps to emerge across financial industries. Regulations like GDPR, PSD2 and others have companies scrambling to find compliant solutions. As a result, we see financial firms increasingly turning to regtech companies to help them fill compliance gaps, save on the costs of compliance and get ahead of requirements before regulatory deadlines."

Fabiano Gobbo
Global Leader, Financial Risk Management
KPMG International

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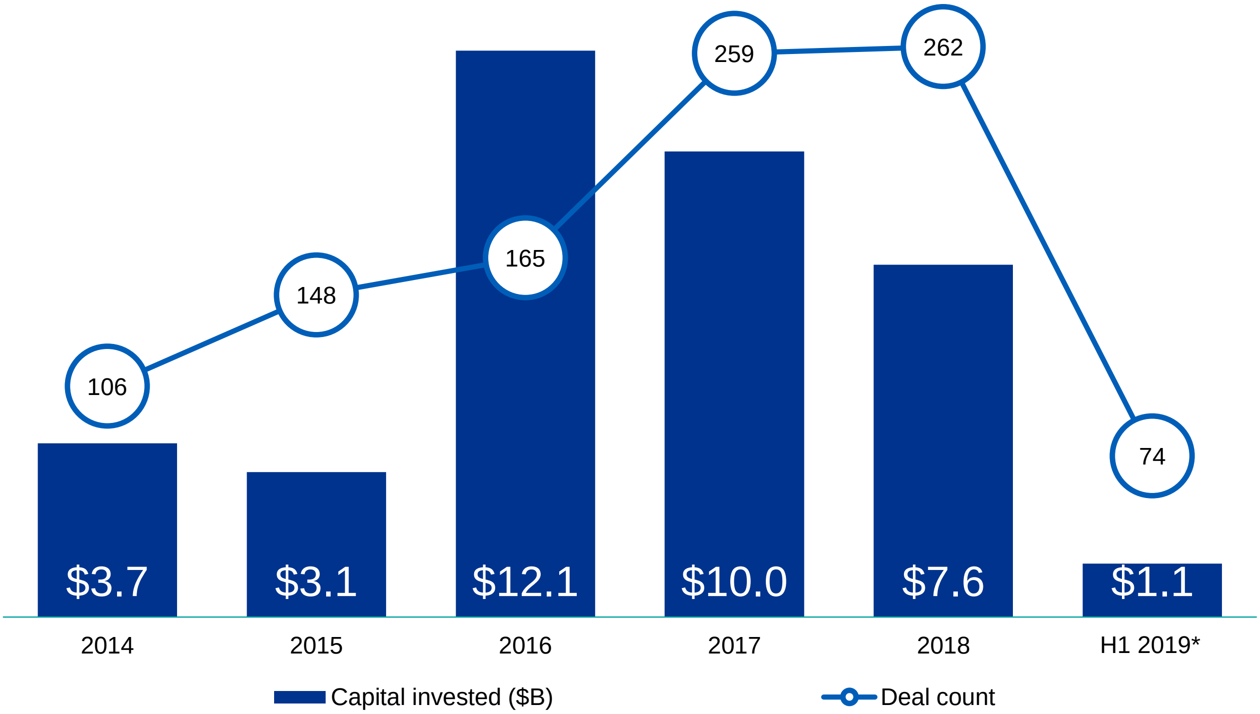
Insurtech takes a breather

Global private investment (VC, PE and M&A) in Insurtech

2014–H1 2019*



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The insurtech space has matured, and thus a diminution in transactional volume is to be expected as early-stage funding dies down and M&A bidders focus on establishing category leaders in particular niches. 2019 figures bear this thesis out, especially as $1.15 billion in overall deal value suggests VCs and corporate acquirers alike are still staying somewhat active, but are being more cautious than in the past given the presence of industry incumbents and their ongoing investment in their own technology offerings.

“Venture capital investment in insurtech is off to a strong start again this year — reaching 85 deals on $1.4 billion invested. Corporate venture capital remains particularly active, investing not only in the insurtech space but also more broadly in the technology sector — as part of their strategy to leverage emerging technology such as artificial intelligence to strengthen everything from claims management to customer acquisition. As the insurtech sector continues to mature, we’re also seeing deal activity expand beyond core solutions, into complementary segments such as payments.

Elisha Deol
Global Insurtech Program Director
KPMG in the UK

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The new generation of wealth won't wait

It's decision time.

Wealthtech coming of age

Venture capital funding for wealthtechs has seen a dramatic increase in the first half of 2019, powered by a series of mega deals by challenger banks in particular. Wealthtech's rapid emergence and growth in recent years has been fueled, in part, by branchless digital start-ups looking to build out their capabilities and services.

Wealthtech as an industry is now moving to its second stage of its maturity. In the first stage, innovators like Nutmeg generated a lot of interest and copy-cat businesses, both corporate and VC-funded. In the face of fierce competition, wealthtechs had little choice but to focus more on expanding their client base and assets than investing in widening or deepening their fundamental service offering.

The industry is now shifting into consolidation mode. The enthusiasm around innovation and market possibility has given way to more considered, rational behaviour. Business propositions and valuations are being queried more heavily. Investors are scrutinizing the timeline to profitability and the likelihood of a wealthtech becoming a predominant player in a given geography. Moreover, in advance of second or third round of financing, they are looking more critically at management teams, performance measurements, predictors of performance, degree of innovation, and the start-ups, number of and growth in clients.

Some investors have exited altogether. UBS sold its UK-based SmartWealth digital wealth management platform last year after determining the commercial potential was limited.

As VCs and other funders contemplate the depths of their own pockets and willingness to fund wealthtechs further, marriages between large and established financial institutions and brands and wealthtech start-ups are becoming increasingly attractive. Start-ups get the fresh funding they need and the credibility that comes with established brand and presence. For their part, big banks and insurance companies are gaining access to valuable tech that is free of legacy issues.

Meanwhile, operating costs for wealthtechs have fallen considerably. A wave of new supply and client-facing technologies shaved millions off the purchase and ongoing service costs of front and back office software. Further, by using these technologies wealthtechs are turning their backs on the variable pricing structures offered by many technology suppliers to more attractive fixed price models under which costs remain constant regardless of growth.

Technology inroads

Wealthtechs are using data analysis widely, artificial intelligence (AI) to a more limited degree. Data analysis has immediate practical application. It can be used to let advisors know which clients might be affected by a macro-economic event — for example, a downturn in the Chinese economy — so that they can be, and appear to be, better informed and adjust their clients' portfolios, accordingly.

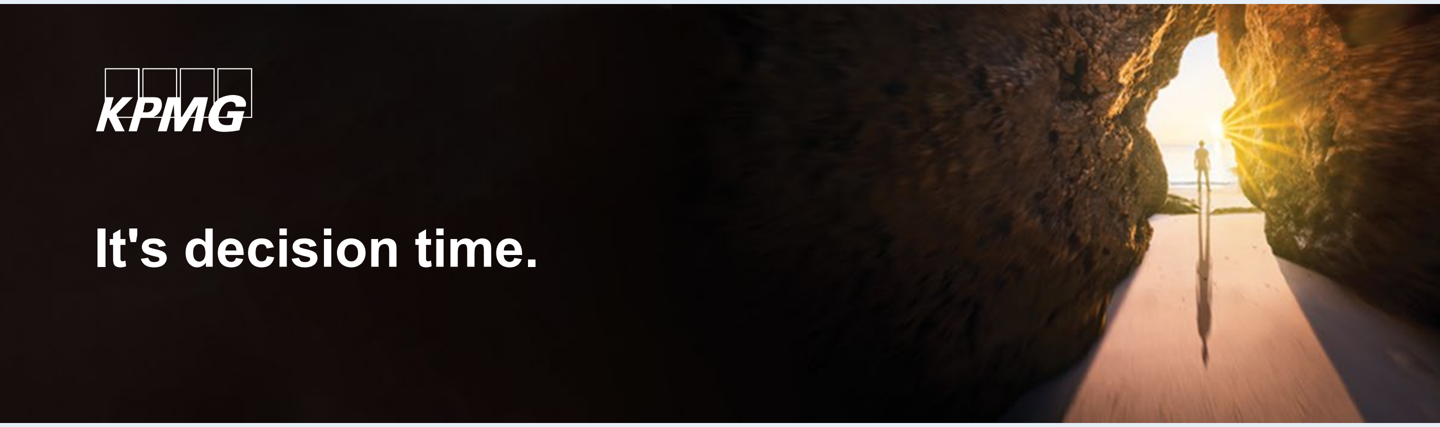
Use and acceptance of robo advisors continues to grow, and across all age groups and regions. Some investors are experimenting by giving a percentage of their holdings to a robo advisor with the aim of seeing how the performance compares with that of their existing human wealth managers. In doing so, some may be wondering whether their wealth manager is worth their level of compensation. Similarly, given the freedom and convenience of online wealth management, it is expected that more investors will do what only a minority did in years past, and place some percentage of their assets with other advisors.

Investors, unfettered by paperwork, may be more likely to experiment in this way.

It will be a watershed moment in the wealth management industry when a majority of investors who have experienced both a robo and human adviser gravitate toward the digital solution. Some may prefer the simplicity and convenience of the latter, and the potentially lower cost.

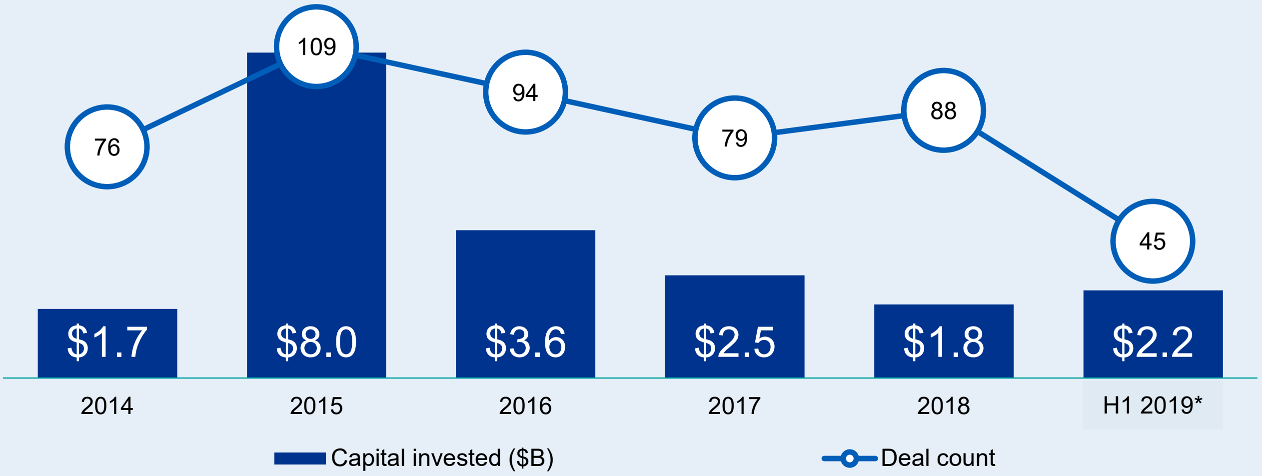
There are a large number of robo advisors currently available. It is expected that their numbers will dwindle over time, leaving the best systems to prevail. Some online wealth advisors may carve out a market niche because of an area of focus or specialization, functionality and the ability of users to customize the interface.

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



Wealthtech slows slightly

Global private investment (VC, PE and M&A) in fintech: Wealthtech
2014–H1 2019*



Source: Pulse of Fintech H1'19, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of June 30, 2019.

Nearly as much capital was invested in the first half of 2019 across fewer deals in wealthtech than nearly any other year this decade — this year may well be one of the most robust on record in terms of deal value. It should be noted that PitchBook & KPMG's delineation of wealthtech is much more specific than broader wealthtech definitions, as it is constructed from the intersection of fintech with asset management and consumer finance. Consequently, overall levels are, as expected, lower than what other data providers may report, yet these numbers are more accurate.

"When wealthtechs broke onto the scene they generated plenty of excitement within the VC community. Along with the deep consideration by the incumbent players and regulators, they represented the catalyst for a tectonic shift to a sleepy but valuable sub-sector of financial services. A few years on, there is less hype about the pace and scale of impact that these new players will have on the sector which, in turn, means that VCs are taking a more measured view of their investments in this arena, in terms of both value and timeframe. The substantial sums required to support these businesses through to profitability is requiring investors to take a longer term view. I expect that during the next chapter will see further consolidation of the best-in-class wealthtech players teaming up with the established wealth managers."

Bill Packman
Wealth and Asset Management Consulting Lead and Partner
KPMG in the UK

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

KPMG

Proptech growth accelerates

It's decision time.

Proptech grows fast on VC funding and real estate's appetite for enhanced performance

Real estate and technology aren't usually thought of in the same breath, but that's changing. The two are rapidly coming together, and with a frenzied intensity reminiscent of fintech and other major industry digital disruptions in recent years.

Real estate owners, managers and developers aren't shying away from technology anymore.

Proptech is a portmanteau of property and technology. It comes in many and varied forms, but all boils down to using technology to improve the ways we rent or lease, buy or sell, and design, build and manage commercial and residential property.

Commercial real estate prices have peaked in many markets. Proptech products and services offer property owners and managers many ingenious ways to push revenue up and expenses down: hardware, software and apps that save energy by improving building performance, for example, or boost revenue by making properties more attractive to tenants and allowing office space to be used more flexibly.[1]

Start-ups focus on three key areas:

— Technology for making buildings smart and more responsive through control mechanisms and data collection and analysis;

— Online markets for buying and selling or leasing properties and buildings; and

— Technology platforms that facilitate the flexible use of real estate assets in the sharing economy.

Several start-ups have emerged as unicorns and decacorns, and VC funds have lined up to finance them.

The co-working firm WeWork (valued at $47 billion) is the undisputed giant of the proptechs. With more than 700 locations around the world, the company offers flexible workspace configuration and the promise, through community, of happier, more creative and productive employees — places and spaces where workers can interact, create, collaborate and build connections. Openpath Security offers landlords and tenants keyless security access using a smartphone app.[2] EverReal's property management software digitizes the leasing process.

Investment levels in such companies is soaring.

The Wall Street Journal, citing data from research firm CREtech, reports that investments for the first half of 2019 reached $12.9 billion, already more than the record level recorded in 2017[3]. According to Fifth Wall, one of the leading proptech-focused funds, more than 20 start-ups have become unicorns (net worth exceeding $1 billion) in the past five years[4].

Other VC firms have either joined the proptech rush recently or been there for some time. They include: MetaProp NYC, Zigg Capital, JLL (through JLL Spark fund), CBRE, Savills, Global Founders Capital, Sequoia Capital, Pi Labs, Passion Capital, Camber Creek, Round Hill Ventures and Starwood Capital Group.[5]

The behemoth of investors, however, is Japanese conglomerate SoftBank Group Corp., which has invested $10.5 billion in WeWork alone.[6,7] SoftBank is also invested in residential property platform start-up Compass (valued at $4.4 billion) and digital residential sales platform Opendoor (valued at $2 billion). Early this year SoftBank announced a $200-million investment in Clutter, a technology-based storage company[8,9]. Notwithstanding the group's interest in the sector.

WeWork announced in April that it has filed to go public. Given its current $47-billion value, the offering would be among the most significant this year.

Brookfield Asset Management began investing in proptech start-ups last year. The Toronto-based company has $191 billion in real-estate assets under management. In May, Brookfield Ventures, the company's technology investment arm, led a $90-million Series D funding round for VTS, a leading leasing and asset management platform. VTS describes the fund raise as the largest venture financing in the history of commercial real estate software. Brookfield Ventures has also invested in Convene, which facilitates work, meet and hosting spaces; and Honest Buildings, which operates a cloud-based platform to help owners better manage projects.[11]

An array of technologies is helping building owners and managers buy, sell and manage their properties. Like the buildings themselves, the sky just might be the limit on this burgeoning sector.

[1, 2, 3, 4, 11] https://www.wsj.com/articles/commercial-property-joins-tech-revolution-as-spending-soars-11562068801?mod=searchresults&page=1&pos=2
[5] https://medium.com/sicos-publication/proptech-3-0-an-innovation-trend-to-expect-in-2019-a9711de06a7
[6] https://www.nytimes.com/2019/04/29/business/dealbook/wework-ipo-filing.html?module=inline
[7] https://www.bisnow.com/london/news/technology/exclusive-wework-backer-softbank-on-its-massive-real-estate-push-97606
[8] https://therealdeal.com/national/2019/07/02/halfway-through-2019-proptech-investment-has-already-hit-a-record-high/
[9] https://www.bisnow.com/london/news/technology/exclusive-wework-backer-softbank-on-its-massive-real-estate-push-97606
[10] https://techcrunch.com/2019/01/07/for-softbank-no-majority-stake-in-wework-as-it-scales-down-talks-from-a-new-16-billion-investment-to-2-billion/

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

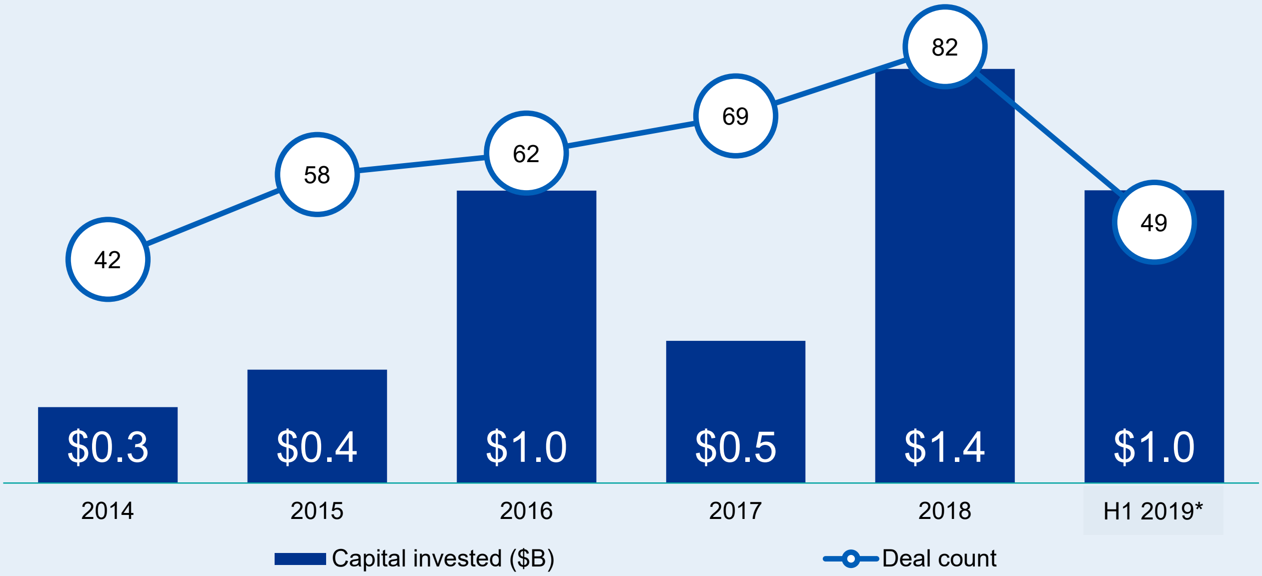
KPMG

It's decision time.

Historically healthy totals

Global private investment (VC, PE and M&A) in fintech: Proptech

2014–H1 2019*



Source: Pulse of Fintech H1'19, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) June 30, 2019.

Property technology has enjoyed a boom as of late, and thus it is to little surprise that the specifically fintech segment of proptech also saw a high in terms of capital invested and volume. This year is ringing in figures that are somewhat lower, but still quite robust. The real estate industry is massive and thus will likely attract plenty of potential disruptors looking to carve out particular pieces of the value chain, while incumbents either buy out competitors or invest in technical solutions such as smart contracts to automate significant transactional flow.

“Depending on the proptech segment, it will likely be 3 or 4 years before the sector achieves the level of maturity currently seen in the broader fintech market. As fast as proptech is growing, fintech is still much bigger. However, we are seeing increasing amounts of capital being deployed and an increasing number of start-ups, with no end of innovative products and services aimed at solving problems that no one had applied technology to before.”

Andy Pyle
Partner, Head of Real Estate
KPMG in the UK

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Close to $90B in progress

Select global fintech deals in progress or announced

H1 2019*

Company	Deal value	Deal type	Acquirer
Worldpay	$43B	M&A	Fidelity National Information Services
First Data	$22B	M&A	Fiserv
Total System Services	$21.5B	M&A	Global Payments
SCB Life Assurance	$2.8B	Buyout	FWD Insurance

Source: Pulse of Fintech H1'19, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of June 30, 2019.

The Pulse of Fintech has ever only considered fully closed transactions, based on all available public knowledge per PitchBook. However, given the significance of multiple deals that are in progress, select top deals are highlighted in the table above. Fintech dealmaking figures for 2019 will change considerably once these deals close — there's close to $90 billion in total deal value among these four transactions alone. Moreover, they signify just how far the consolidation craze in payments and their infrastructure in particular has gone.

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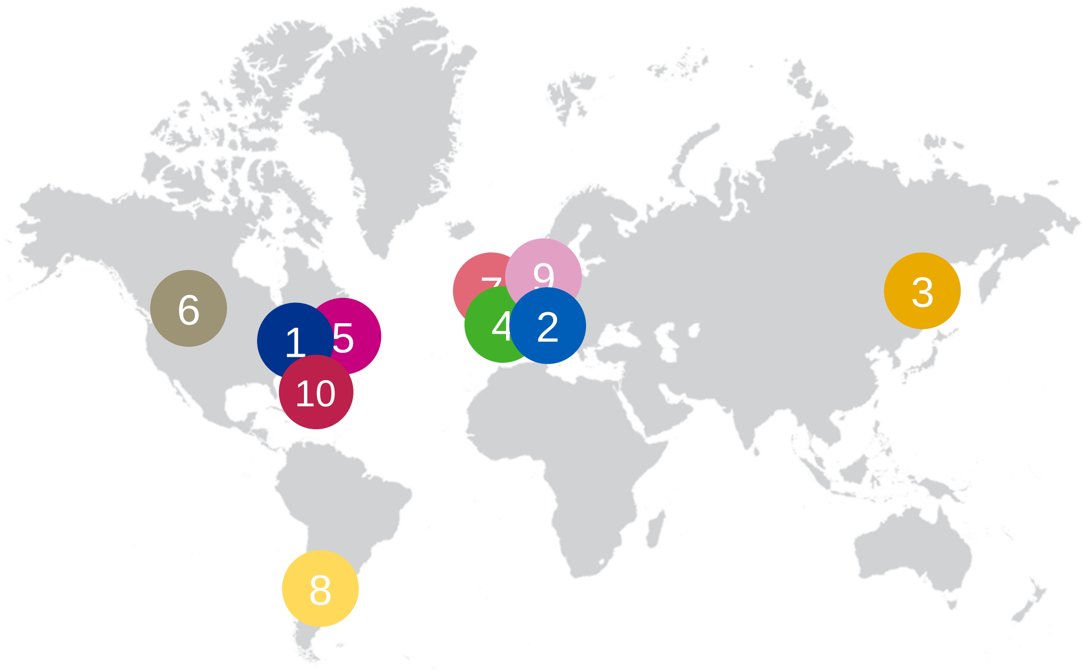
Top 10 global fintech VC, PE and M&A deals in H1 2019



1 **Dun & Bradstreet** — $6.9B, Short Hills, US
Institutional/B2B
Buyout

2 **Concardis** — $6B, Eschborn, Germany
Payments/transactions
Buyout

3 **NCF Wealth Holdings** — $2B*, Beijing, China
Lending
M&A

4 **eFront (France)** — $1.3B, Paris, France
Institutional/B2B
Buyout

5 **Investment Technology Group** — $1B, New York, US
Capital markets
M&A

6 **Shareworks by Morgan Stanley** — $843.8M, Calgary, Canada
Institutional/B2B
M&A

7 **Greensill Capital** — $800M, London, UK
Institutional/B2B
PE growth

8 **Prisma Medios de Pago** — $725M, Buenos Aires, Argentina
Payments/transactions
Buyout

9 **World First UK** — $717M, London, UK
Payments/transactions
M&A

10 **CSI Enterprises** — $600M, Bonita Springs, US
Payments/transactions
M&A

Source: Pulse of Fintech H1 2019, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) *as of June 30, 2019.
Note: The deal value for NCF Wealth Holdings is based on an equity value estimate of $2 billion, at the time of data pull.

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

In H1 2019, fintech investment in the Americas reached

$21.0B

across

545 deals

Fintech interest growing across Americas

While total fintech investment in the Americas dropped in H1’19, the diverse locations of the top deals during the first 6 months of the year suggests that the fintech market is maturing both within and outside of the US.

Top fintech deals in Americas include three outside of the US

While the US accounted for seven of the top ten fintech deals in the Americas during the 6 months of 2019, the presence of companies from other countries on the list highlights that interest in fintech is growing well beyond the borders of the US.

Canada pulled in two of the top deals in the Americas during H1’19, including the acquisition of Solium Capital by Morgan Stanley for $844 million and H&R Block’s acquisition of Wave Capital for $405 million. The $725 million buyout of Argentina-based Prisma Medios de Pago by Advent International was also among the top fintech deals in the Americas.

Canada sees robust fintech activity in the first half of 2019

While the number of deals dropped in Canada between H2’18 and H1’19, Canada continued to see significant interest in fintech, particularly from US investors. The acquisitions of Solium Capital and Wave Capital by US firms highlight the growth and maturation of Canadian fintechs and their ability to attract interest from a broader base of investors. At the same time, there has also been an increasing level of investment from Canadian VCs, which highlights the maturation of the Canadian VC market and the country’s growing self-sufficiency when it comes to supporting the growth of startups.

The expanding value of the Canadian fintech industry can be seen in many ways. For example, Toronto’s Creative Destruction Lab is one of the founders of the Libra Association — the group brought together by Facebook to govern the Libra cryptocurrency.

Latin America sees new fintech unicorn

Fintech investment in Latin America is rising rapidly as investors look to take advantage of the region’s less mature fintech market and access its large population base. During H1’19, Latin America saw the rise of a new fintech unicorn — Prisma Medios de Pago — a payments company based in Argentina following a buyout of a 51 percent stake in the company by US-based Advent International.

Also during H1’19, Boston-based Airfox launched BanQi — a new payments platform — in the Brazilian market in partnership with Via Varejo. The new digital challenger bank showcases the opportunities presented by cross-industry partnerships, with the clients of BanQi able to access physical services through Via Varejo’s Casas Bahai retail stores.[1]

[1] https://www.prnewswire.com/news-releases/airfox-announces-digital-challenger-bank-for-emerging-markets-300862907.html

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

Fintech interest growing across Americas

US investors driving fintech investment across the Americas

US investors were a significant driving force of fintech investment across the Americas in H1'19. The three largest fintech deals in the region outside of the US involved US investors (i.e. Morgan Stanley, H&R Block and Advent International). US investors, both corporates and VC and PE firms, are expected to continue to focus on cross-border deals in order to increase market share, gain access to new markets, and acquire companies and their capabilities more cost-effectively than they can within the US.

Collision Conference spotlights Canadian technology industry

During H1'19, Toronto hosted the 2019 Collision Conference — a massive technology innovation focused event that brought in investors and companies from across the globe. Collision's MoneyConf is a sub-conference focused on financial services showcased the growing diversity of Canada's fintech companies. It also highlighted how Canada's biggest banks are approaching innovation. For example, TD highlighted the results of its 2018 acquisition of AI firm Layer 6, while RBC discussed how it set up Borealis AI in order to drive innovation.

Trends to watch for in the Americas

US-based M&A activity is expected to drive significant investment in the Americas heading into H2'19, with three multi-billion deals announced but not yet closed including Fidelity's acquisition of WorldPay, Fiserv's acquisition of First Data, and the merger of Global Payments and Total System Services.

Looking forward, Canada is expected to continue to see strong investment and interest in AI-focused fintech both from domestic and cross-border investors. Canadian banks are also expected to increase their investments in fintechs now that Canadian banking regulations have been adjusted to allow them to do so more readily.

Latin America is also expected to continue to attract significant attention from fintech investors heading into H2'19, particularly in the payments space.

"The Canadian VCs and now also the big US players have a presence in Canada. The fintech market itself is becoming more and more integrated across North America, which is a good thing because Canadian fintechs can't grow effectively if they're only serving the Canadian market. They have to be down in the US and elsewhere if they want to achieve their full potential. So, the fact we're seeing a lot more integration and visibility in both directions is a good trend and indicator for the future."

John Armstrong
National Industry Leader, Financial Services
KPMG in Canada

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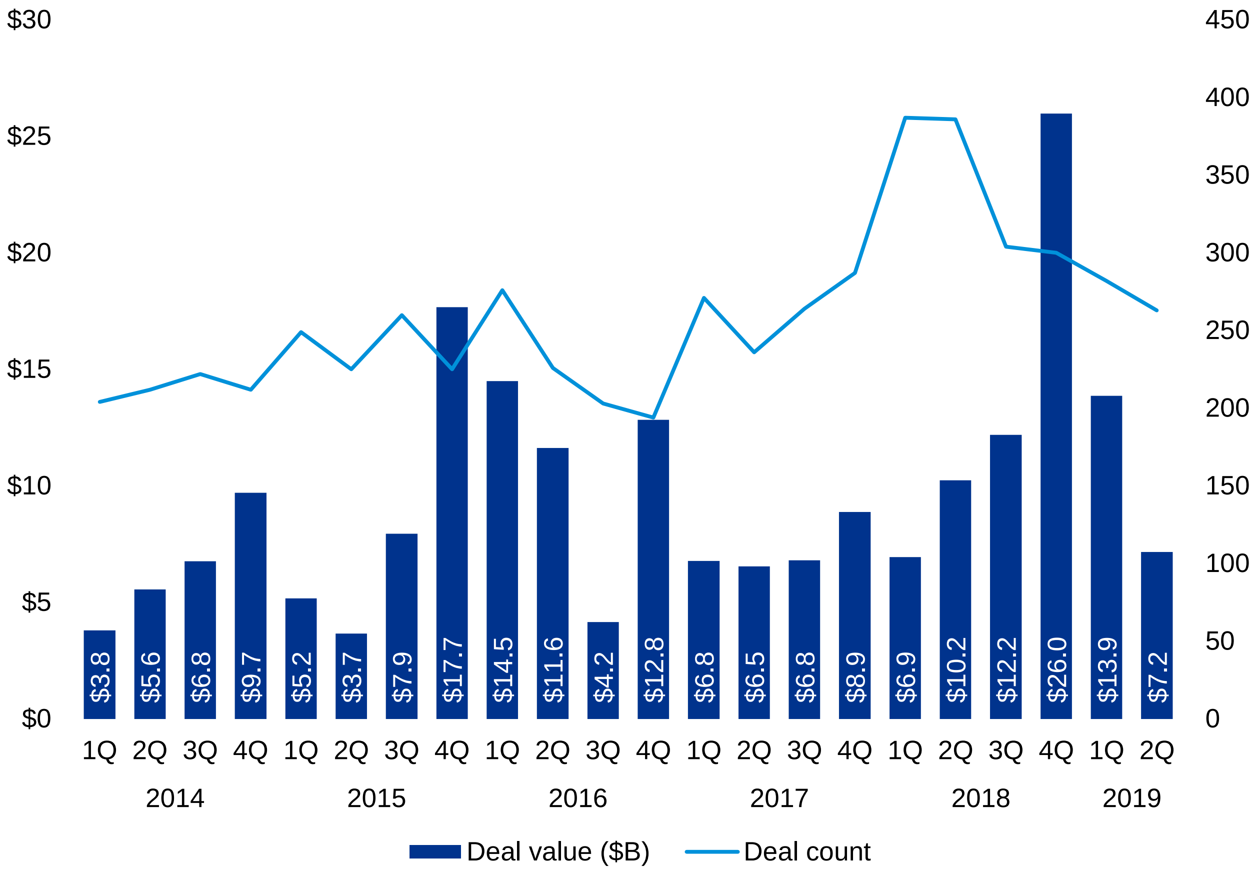
Evening out after a high

Total investment activity (VC, PE and M&A) in fintech in the Americas
2014–Q2'19

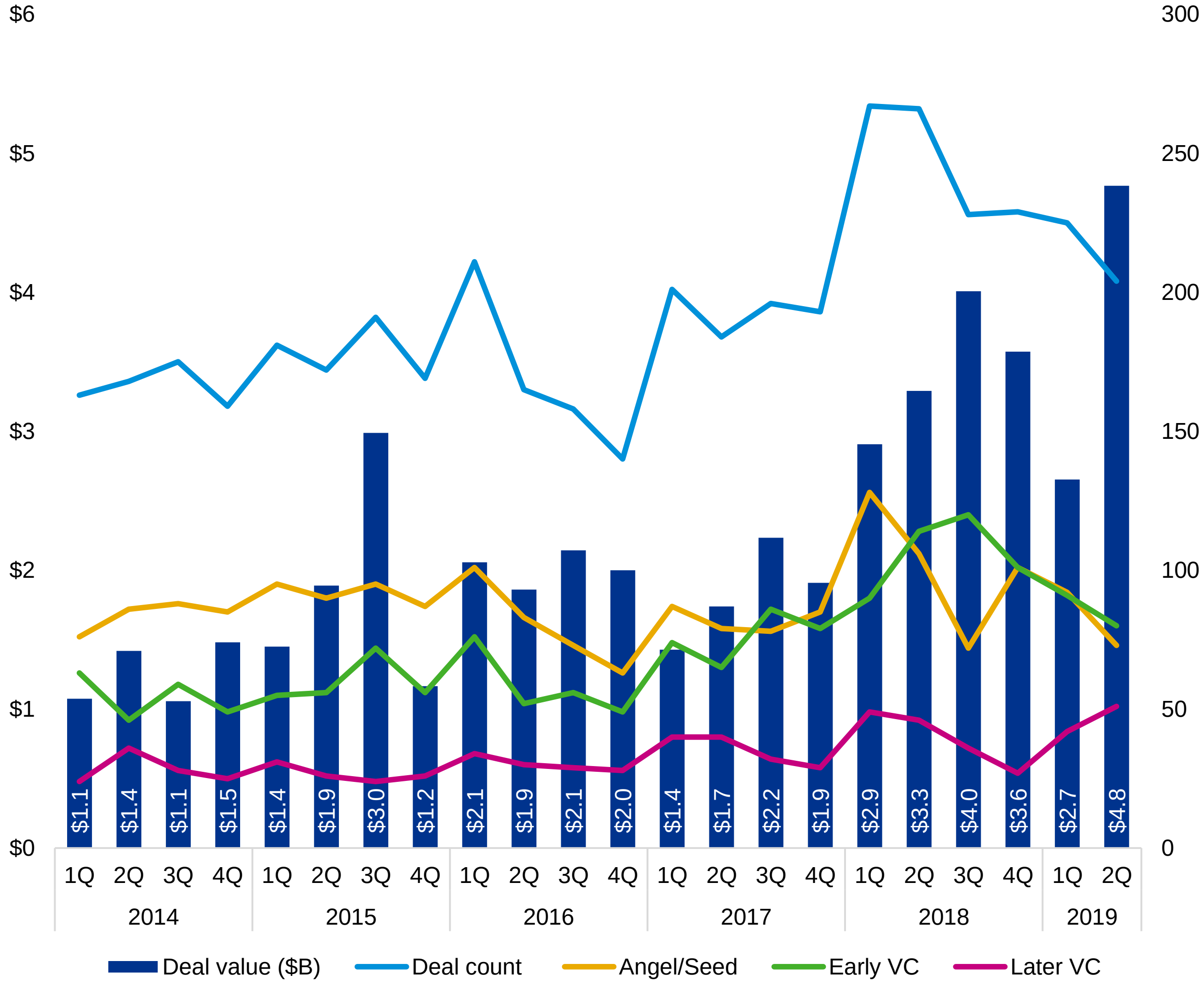


Source: Pulse of Fintech H1'19, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) June 30, 2019.
Note: Please refer to the methodology at the end of the Pulse of Fintech in order to review any disparities between this edition of the Pulse of Fintech as compared to prior editions.

2018 may have seen a peak in deal value and volume, but it is important to bear in mind that mean reversion was inevitable and, moreover, 2019 totals are still quite strong on a historical basis. The investment cycle across all types is evening out, with VC in particular contributing to the decline in overall deal flow.

VC invested hits new high

Venture investment in fintech companies in the Americas
2014–Q2'19



Source: Pulse of Fintech H1'19, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) June 30, 2019.

Fintech venture investment within the Americas is variable, yet after a peak in volume, has clearly suffered a diminution at the earliest, riskiest of stages. The primary reason is likely competition for the best deals given the high-priced environment, as evidenced by the tally of VC invested hitting a new high thanks to mega-financings in the most recent quarter of 2019.

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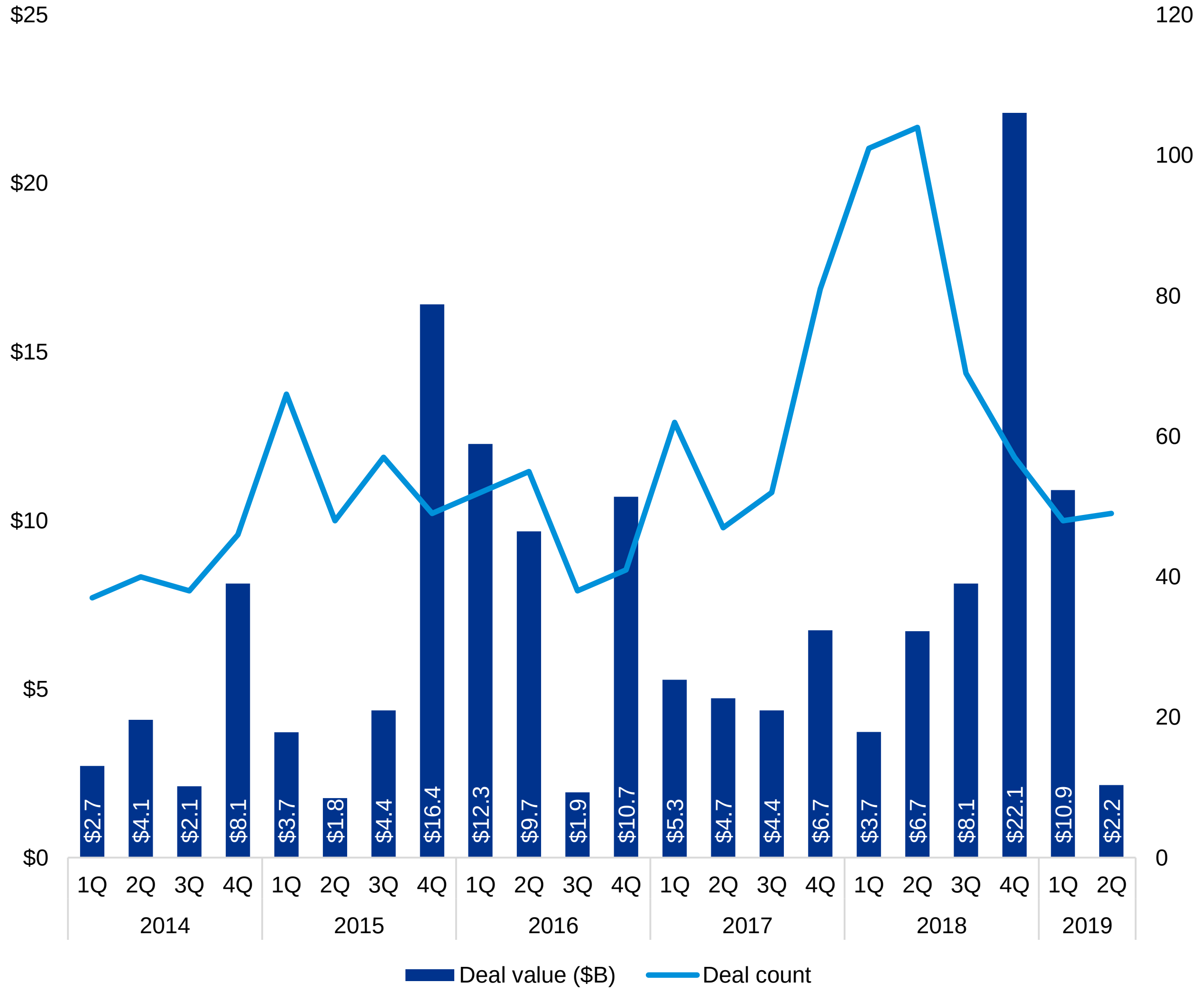
The M&A cycle plateaus

M&A activity in fintech in the Americas
2014–Q2'19

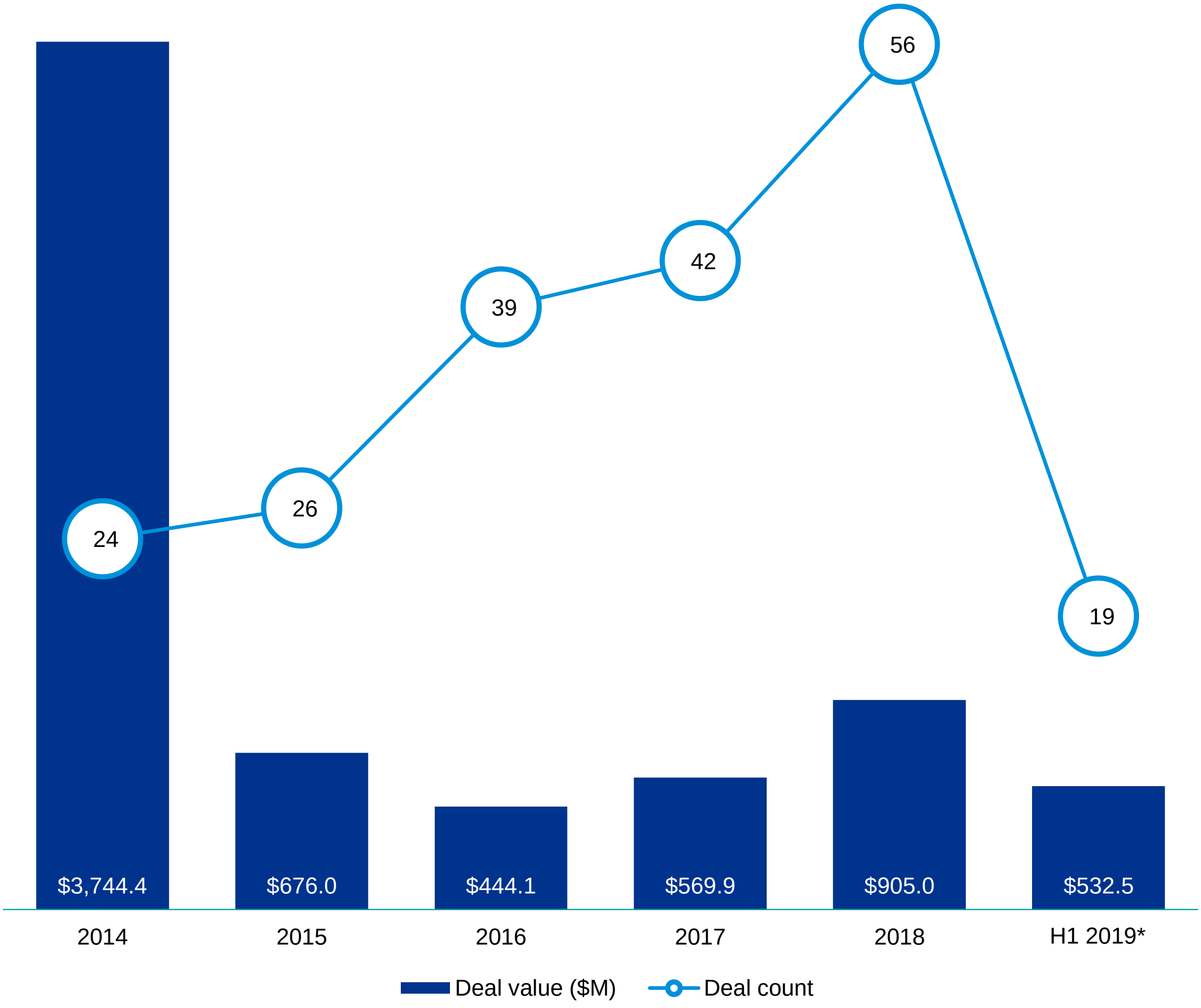


Source: Pulse of Fintech H1'19, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) June 30, 2019.

The final quarter of 2018 saw the Refinitiv buyout, which spurred aggregate M&A value to a new high, even as M&A volume evened out after peaking in the first half of the year. The cycle has evened out since, even as a lack of blockbuster deals' closure (until later this year) in key segments' maturation has kept deal value lower.

PE firms press pause

PE growth investment activity in fintech in the Americas
2014–H1 2019*



Source: Pulse of Fintech H1 2019, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of June 30, 2019.

PE firms have pressed pause to some degree, given a slide in completed deals, even though the fewer checks being cut are quite robust in size. At the mid-year mark, the pace of deal value is set to exceed that of any year excepting 2014.

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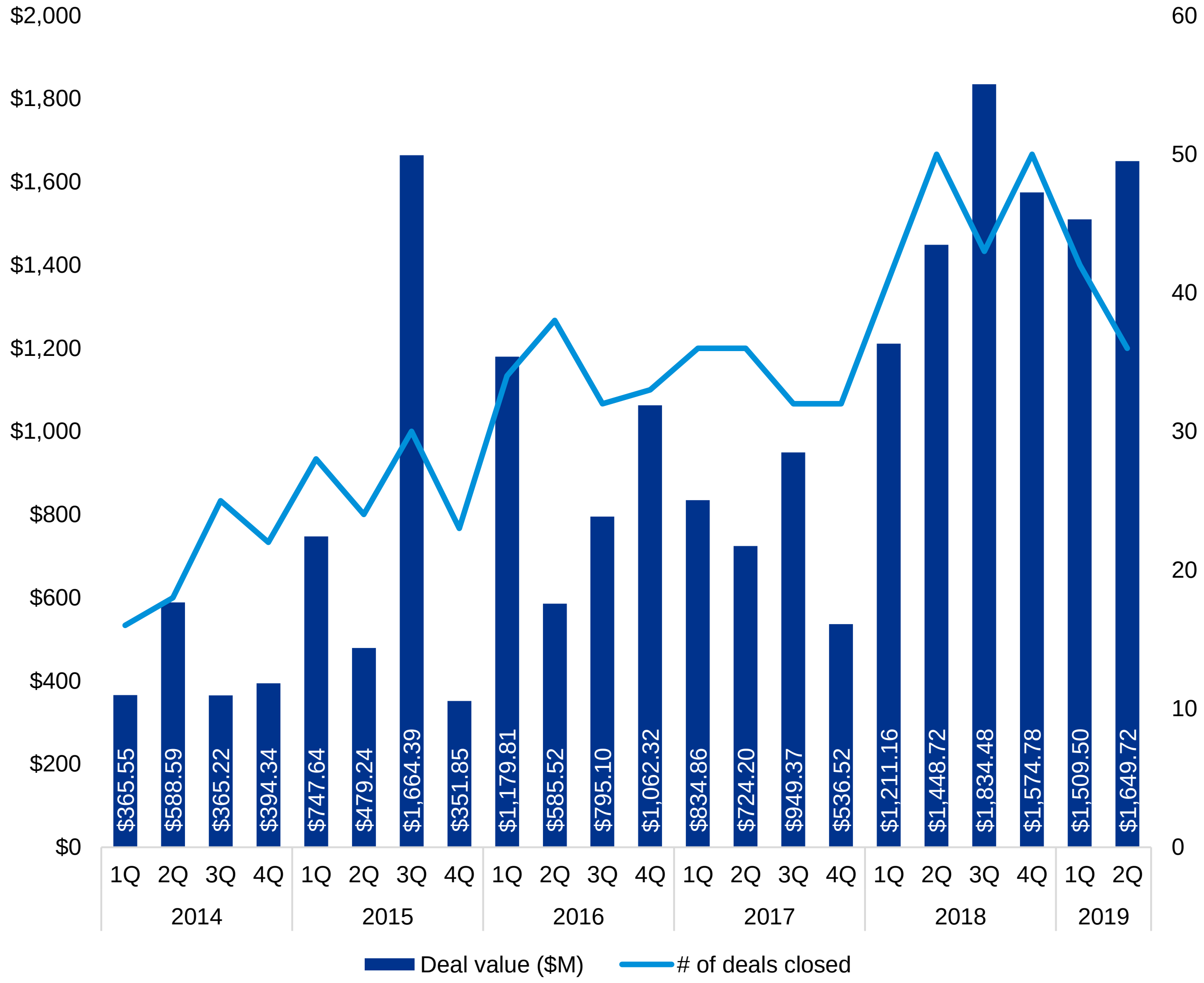
CVCs still shell out

Venture capital activity in fintech in the Americas with corporate participation
2014–Q2'19



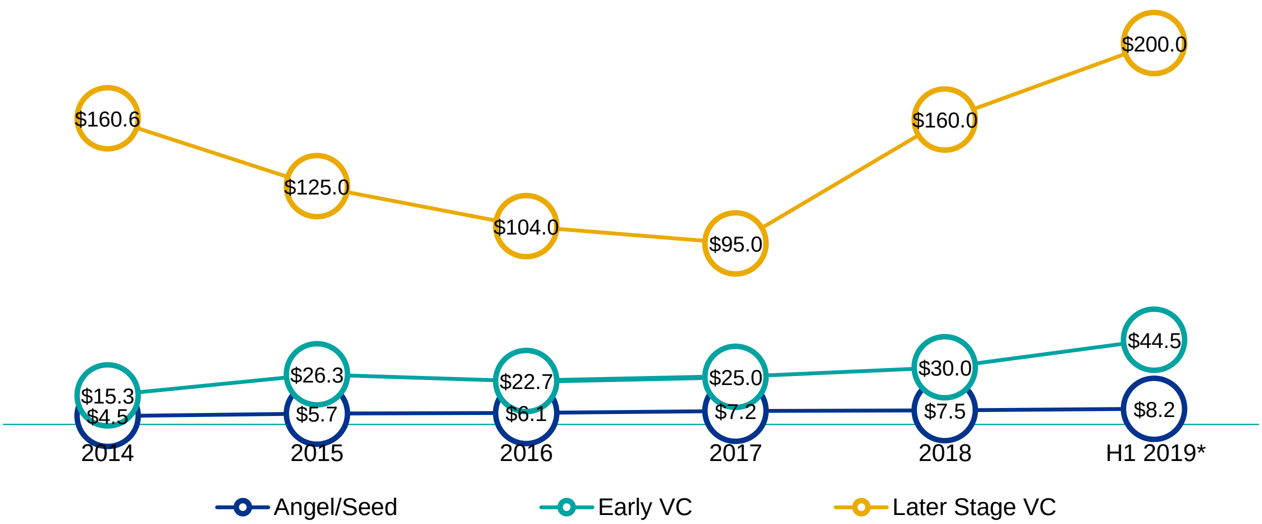
Source: Pulse of Fintech H1 2019, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of June 30, 2019.

Even as venture activity overall has declined, the volume of rounds with corporate participation (both dedicated corporate venture arms and corporations directly) has stayed somewhat more robust. Expectedly, deal value with corporate participation — whose financial incentives can differ significantly than those of traditional VC — has stayed quite robust, with this year on pace to be second-highest ever.

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

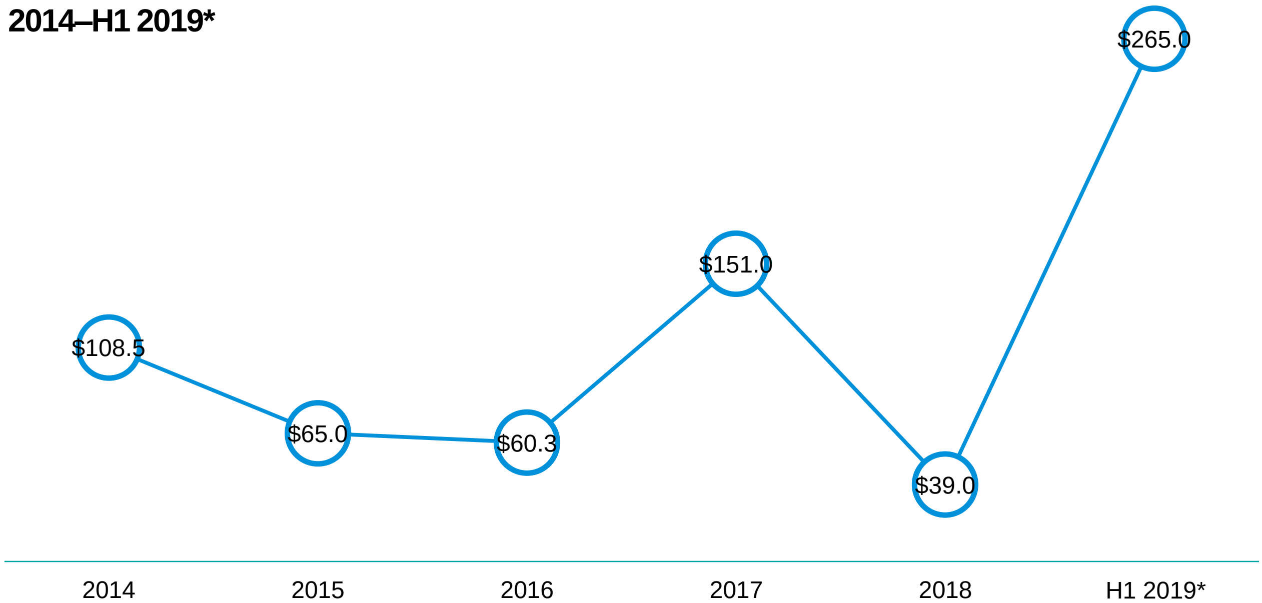
M&A soars to new high

Median venture pre-money valuations ($M) by stage in fintech in the Americas
2014–H1 2019*



Source: Pulse of Fintech H1 2019, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of June 30, 2019.

Median M&A size ($M) in the Americas
2014–H1 2019*



Source: Pulse of Fintech H1 2019, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of June 30, 2019.
Note: M&A deal sizes in 2019 are based on a small sample size, n < 30.

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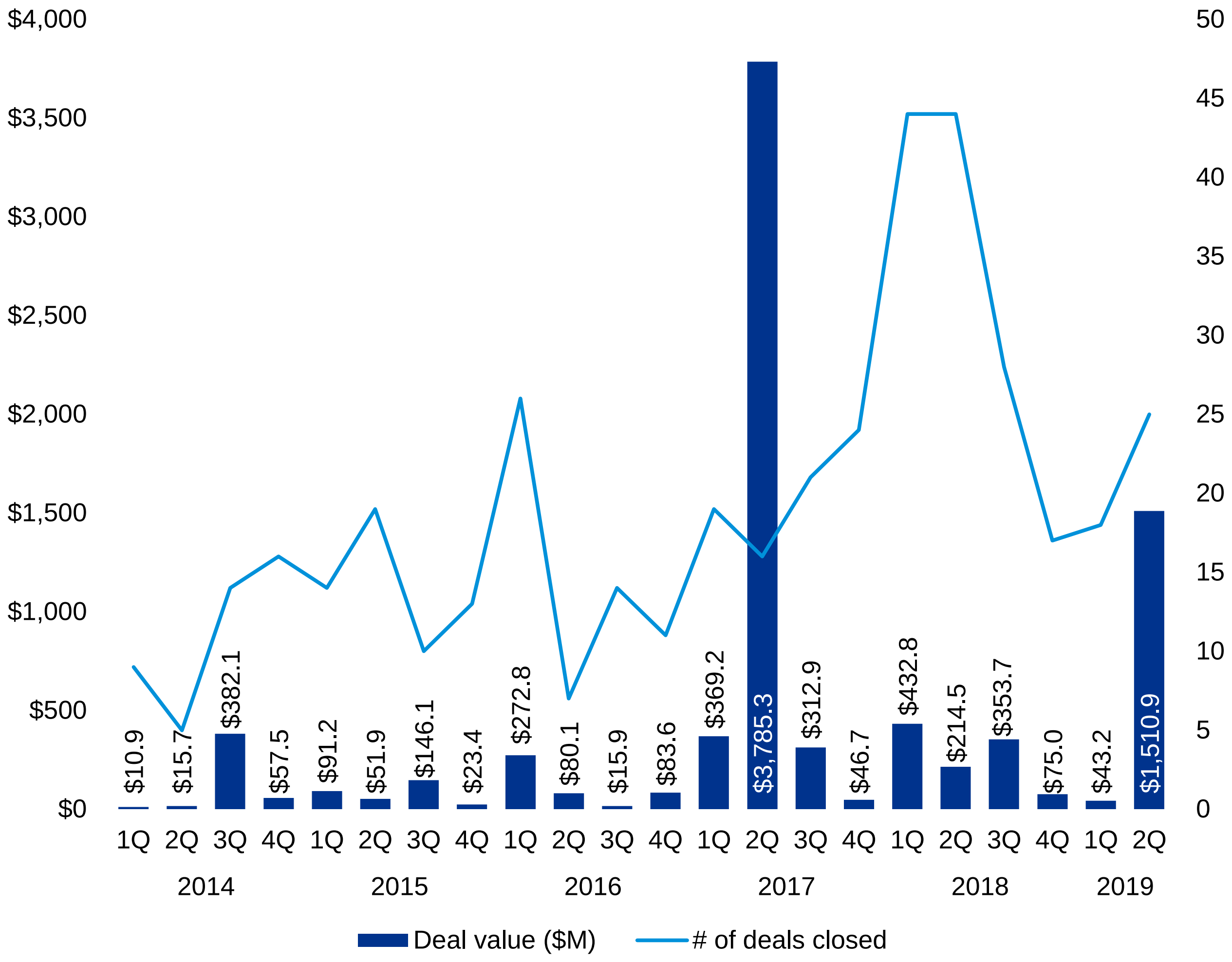
Canada sees surge

Total investment activity (VC, PE and M&A) in fintech in Canada
2014–Q2'19



Source: Pulse of Fintech H1'19, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) June 30, 2019.

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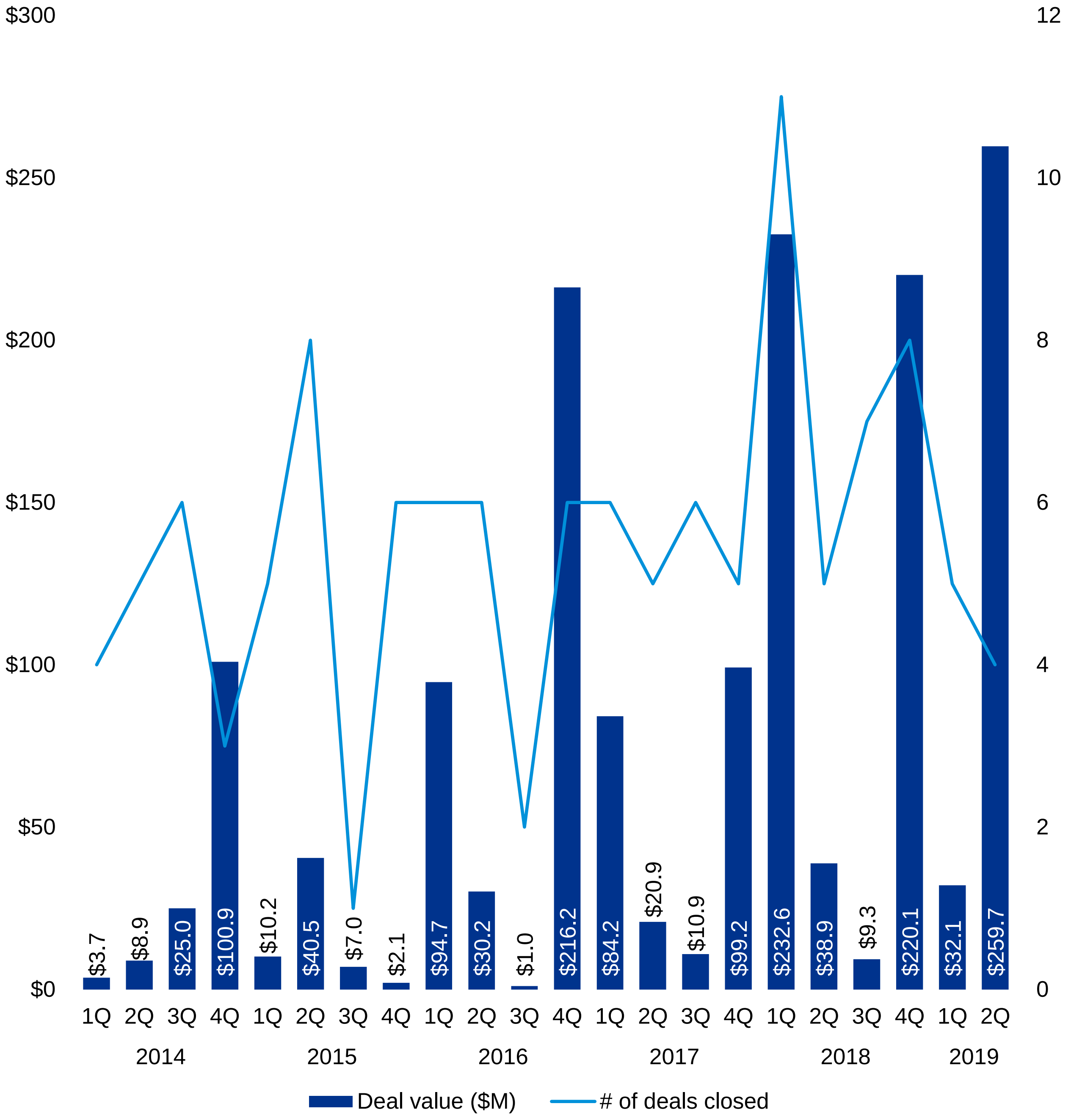
A quieter first half

Total investment activity (VC, PE and M&A) in fintech in Brazil
2014–Q2'19



Source: Pulse of Fintech H1'19, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) June 30, 2019.

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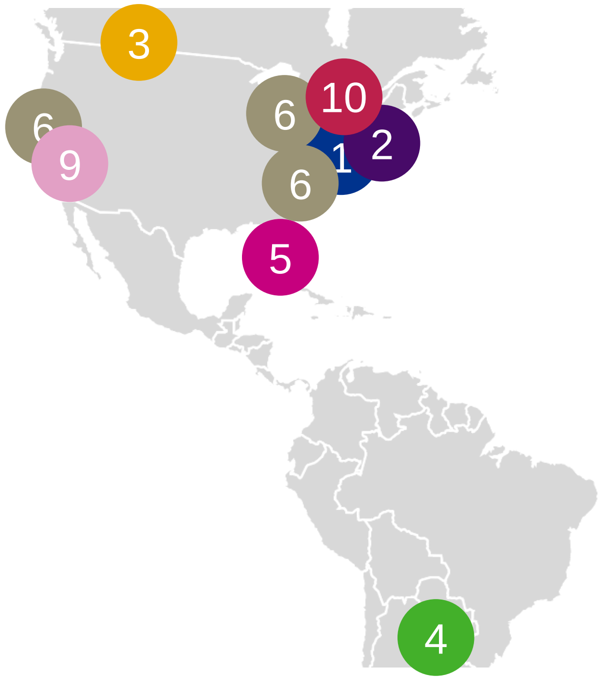
Top 10 fintech deals in Americas in H1 2019



1 **Dun & Bradstreet** — $6.9B, Short Hills, NJ
Institutional/B2B
Buyout

2 **Investment Technology Group** — $1B, New York, NY
Capital markets
M&A

3 **Shareworks by Morgan Stanley** — $843.8M, Calgary, Canada
Institutional/B2B
M&A

4 **Prisma Medios de Pago** — $725M, Buenos Aires, Argentina
Payments/transactions
Buyout

5 **CSI Enterprises** — $600M, Bonita Springs, FL
Institutional/B2B
M&A

6 **PIEtech** — $500M, Powhatan, VA
Institutional/B2B
M&A

6 **Onestream Software** — $500M, Rochester, MI
Institutional/B2B
Buyout

6 **SoFi** — $500M, San Francisco, CA
Lending
Series H

9 **IQMS** — $425M, Paso Robles, CA
Institutional/B2B
M&A

10 **Wave Financial** — $405M, Toronto, Canada
Institutional/B2B
M&A

Source: Pulse of Fintech H1 2019, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) *as of June 30, 2019.

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

In H1 2019, US fintech companies received investment of

$18.3B

across

470 deals

Fintech investment in the US falls — dip not expected to last long

Fintech interest and investment continued to be strong in the US, despite a dip in investment during H1'19. The $6.9 billion buyout of business analytics firm Dun & Bradstreet by a consortium of investors was the top fintech deal in the US, followed by the $1 billion acquisition of electronic brokerage and technology firm Investment Technology Group by Virtu Financial. On the VC front, three late-stage megadeals were also among the top US deals during H1'19, including a $500 million raise by SoFi and $300 million raises by Carta and Affirm.

Payments dominates fintech investment in the US as other areas continue to grow

The payments space continues to be a very strong area of fintech investment, driven by its ability to show long-term growth potential. As transactions continue to become more electronic, payments are diversifying across both customer types and verticals. During H1'19, there was increased interest in B2B focused deals — such as Mastercard's acquisition of global P2P and B2B transfer company Transfast, or JPMorgan's acquisition of medical payments technology InstaMed.[2]

Insurtech industry seems to slowdown in investment, while wealthtech sees increase

The insurtech industry in the US saw a slowdown in investment during H1'19. The slowdown may reflect the increased focus on consolidation in other areas of the insurance industry. Once this consolidation settles, there will likely be renewed interest in the insurtech space. Regtech also experienced a soft period of investment in the US during H1'19.

Wealthtech, meanwhile, gained some traction as companies worked to develop scale and product diversity. While pure-play robo advisory may have lost its lustre, investors have embraced digital platforms and robo advisory in conjunction with other products or services in order to enhance a value proposition.

Facebook's Libra announcement brings attention back to cryptocurrencies

While investment in cryptocurrencies lost its lustre in late 2018 and into 2019, Facebook brought attention back to the space during H1'19 when it announced its concept for Libra — a new blockchain-based cryptocurrency it would like to see launched in 2020. The project is being managed by the Switzerland-based Libra Association, which was founded by a diverse but powerful group of global companies, including Facebook, Visa, Mastercard, Paypal, Ebay, Stripe, Mercado Libre, the Creative Destruction Lab and others. The project, which aims to see a cryptocurrency implemented on a scalable level across geographies and industries, faced significant criticism from governments and regulators in the first few weeks post-announcement. Over the next few months, investors will be keenly focused on Libra to see whether it can respond effectively to the concerns of consumers, governments, and regulators.

"US fintech investment is strong this year and, with several large M&A deals announced, it's only going to grow. The payments space continues to be hot, demonstrating that there's plenty of long-term growth potential in this sector. As transactions continue to become more electronic, we're also seeing a number of B2B deals crop up in the US, both in the general payments space and in related verticals like healthcare payments."

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

[2] https://www.cnbc.com/2019/05/17/jp-morgan-buys-instamed-in-biggest-acquisition-since-financial-crisis.html

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

Fintech investment in the US falls — dip not expected to last long (cont'd)

Massive M&A deals expected in H2'19

Despite the dip in H1'19, fintech investment in the US is posed to skyrocket to record-breaking highs in the second half of the year. Three massive M&A deals were announced in H1'19, including Fiserv's acquisition of First Data ($22 billion), Fidelity's acquisition of Worldpay ($43 billion), and the merger of Global Payments with Total System Services ($21.5 billion). These deals, if they close in H2'19 as expected, will propel both the US total fintech investment and the global total fintech investment to new highs.

Cybersecurity investments evolving in the US

Cybersecurity is not a new area of technology investment but, in recent quarters, it has gained more prominence given the evolution of business risks and the technologies able to detect them. Recently, fintech investors have shown a growing interest in a range of security solutions, such as fraud detection, tokenization, and mobile identity verification. As cybersecurity continues to evolve, investment is expected to grow.

M&A remains a key priority for corporate investors

The massive M&A deals seen in the US during 2018 and expected in the later half of 2019 highlight the growing prominence of M&A as a means to acquire technology capabilities, ecosystem companies and market share. In the US, M&A is expected to remain high on the radar of corporate investors. The scope of M&A has varied based on the needs of the traditional corporations. For example, insurance companies have focused more on deals involving broker-dealer platforms rather than on particular technologies — looking to scale across distribution channels rather than focusing on single technology plays. Banking has seen less activity in the M&A space to date, potentially due to the market waiting on regulatory approvals related to announced deals, such as the proposed acquisition of SunTrust by BB&T.

Trends to watch for in the US

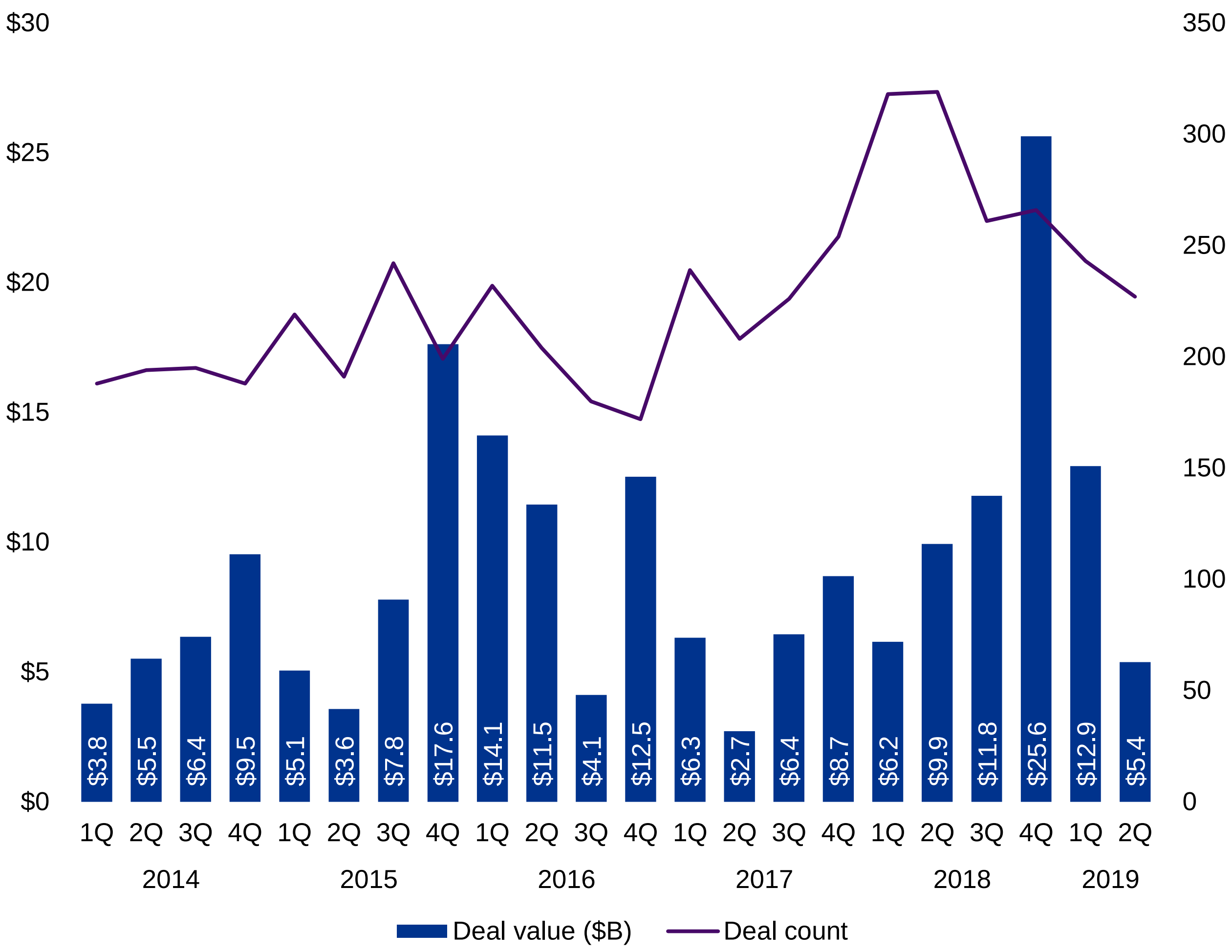
In addition to the mega-billion M&A deals expected to close in H2'19, the US is well-poised to see further growth in fintech investment over the next half-year. Payments is expected to remain a key area for investment, along with B2B services given their extensive value proposition. With the government enhancing its focus on potential risks to US infrastructure, security will also likely be a hot area of investment over the next half-year. Online gaming could also see some growth, with niche players cropping up in different locations as online gaming gains more legal standing.

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

Fintech investment still strong

Total investment activity (VC, PE and M&A) in fintech in the US

2014–Q2'19



Source: Pulse of Fintech H1'19, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) June 30, 2019.

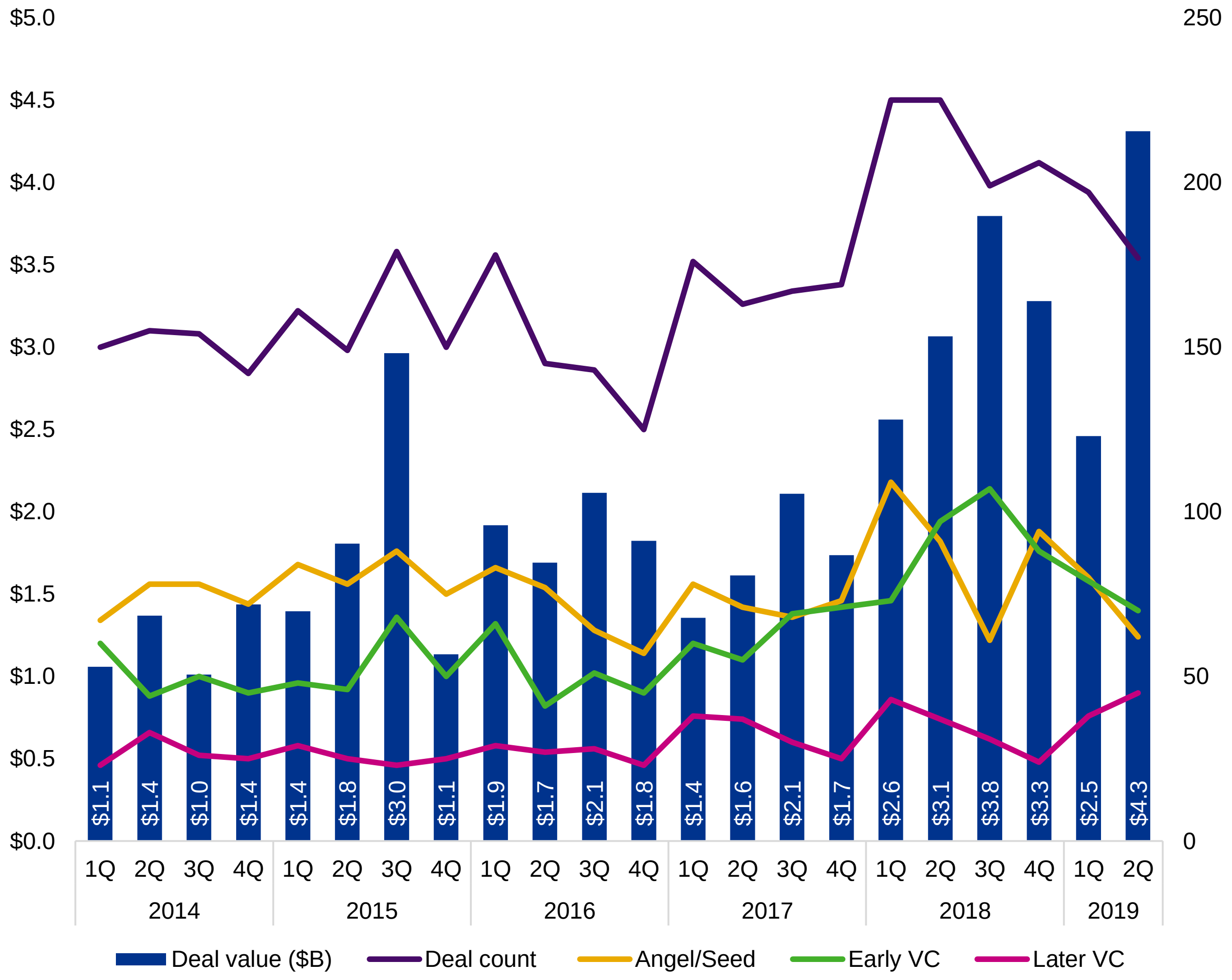
After the mega-deal with Refinitiv in Q4 2018, fintech investment has understandably reverted to the mean historical levels observed throughout much of the prior 5 years on a quarterly basis. However, once mega-deals return — and several are in progress — once again quarterly skews will occur within the US. They are more signs of fintech segment maturation, as payments in particular sees considerable, endgame consolidation.

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

VC invested sets new high

Venture investment in fintech in the US

2014–Q2'19

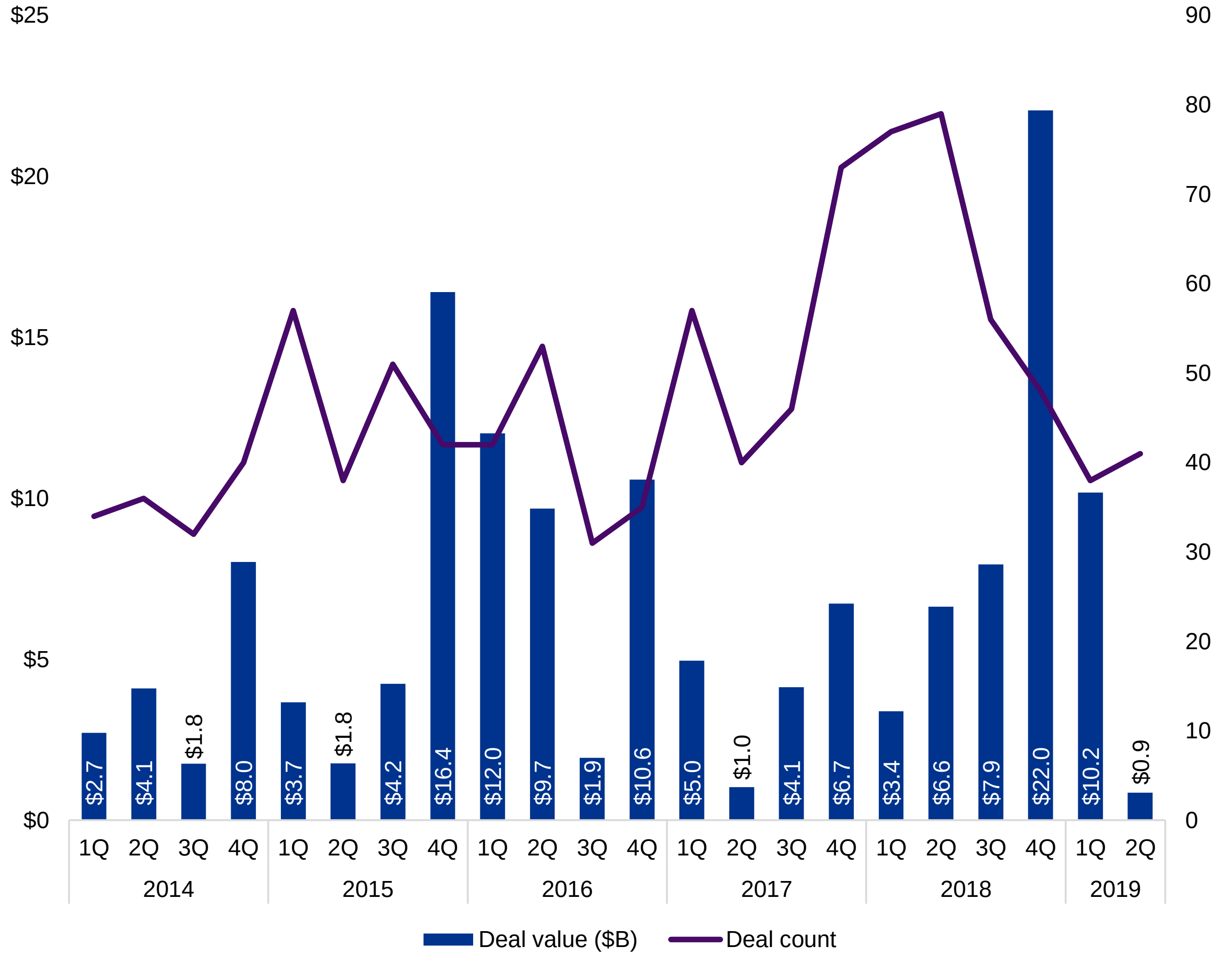


Source: Pulse of Fintech H1'19, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) June 30, 2019.

Although M&A activity has not turned in as many blockbusters as of late, VCs seem determined to fund potential category leaders via mega-financings until they dominate their arenas. Accordingly, VC invested soared to a new high in Q2 2019, bolstered significantly by twin $300 million fundings of Carta and Affirm.

M&A returns to historical level

M&A activity in fintech in the US
2014–Q2'19



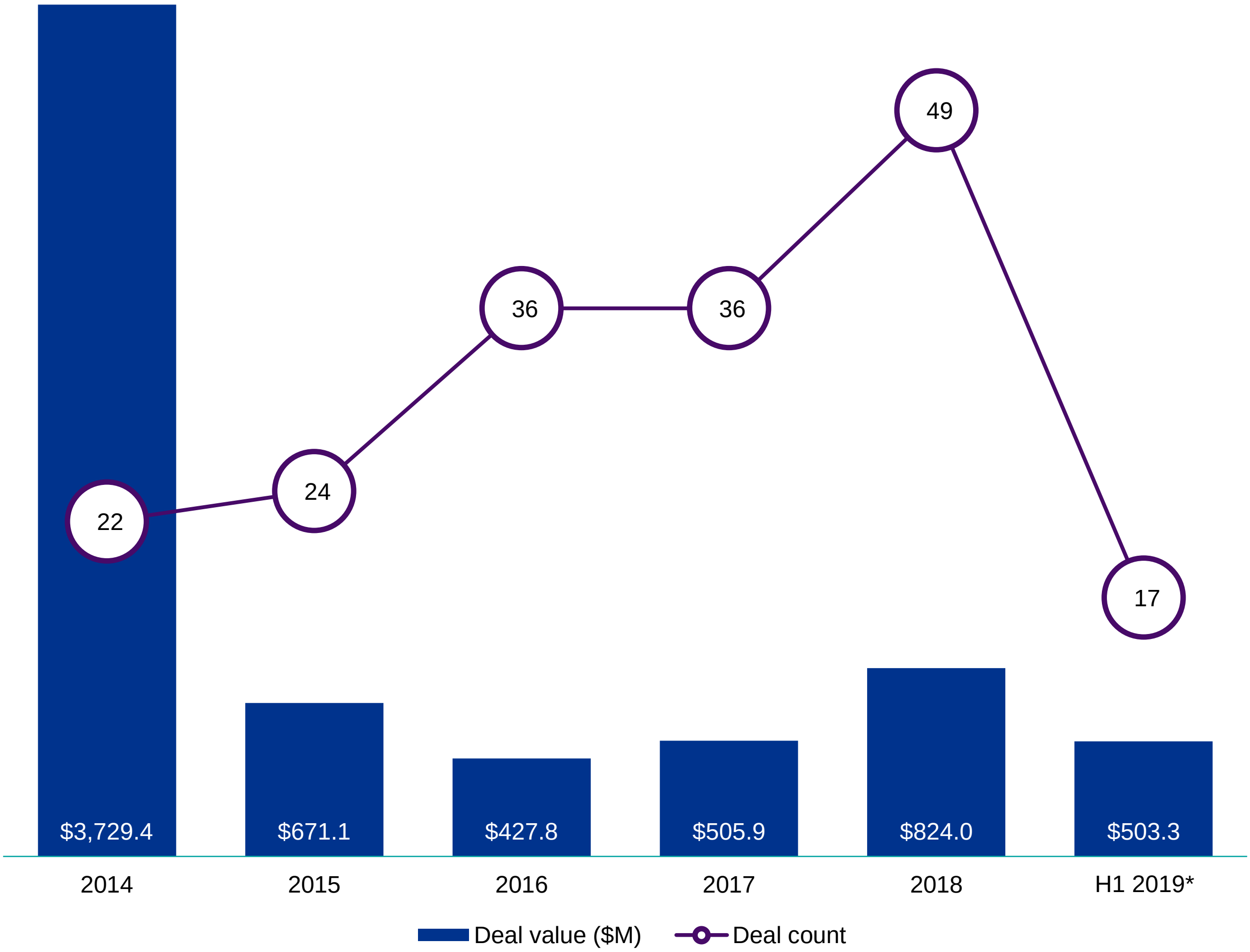
Source: Pulse of Fintech H1 2019, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) *as of June 30, 2019.

Especially within the US, significant consolidation, particularly in payments, is occurring apace. Other segments of financial services are likely next, as both incumbents and disruptors vie for top dog status.

PE firms take a breather

PE growth investment activity in fintech in the US

2014–H1 2019*



Source: Pulse of Fintech H1 2019, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) *as of June 30, 2019.

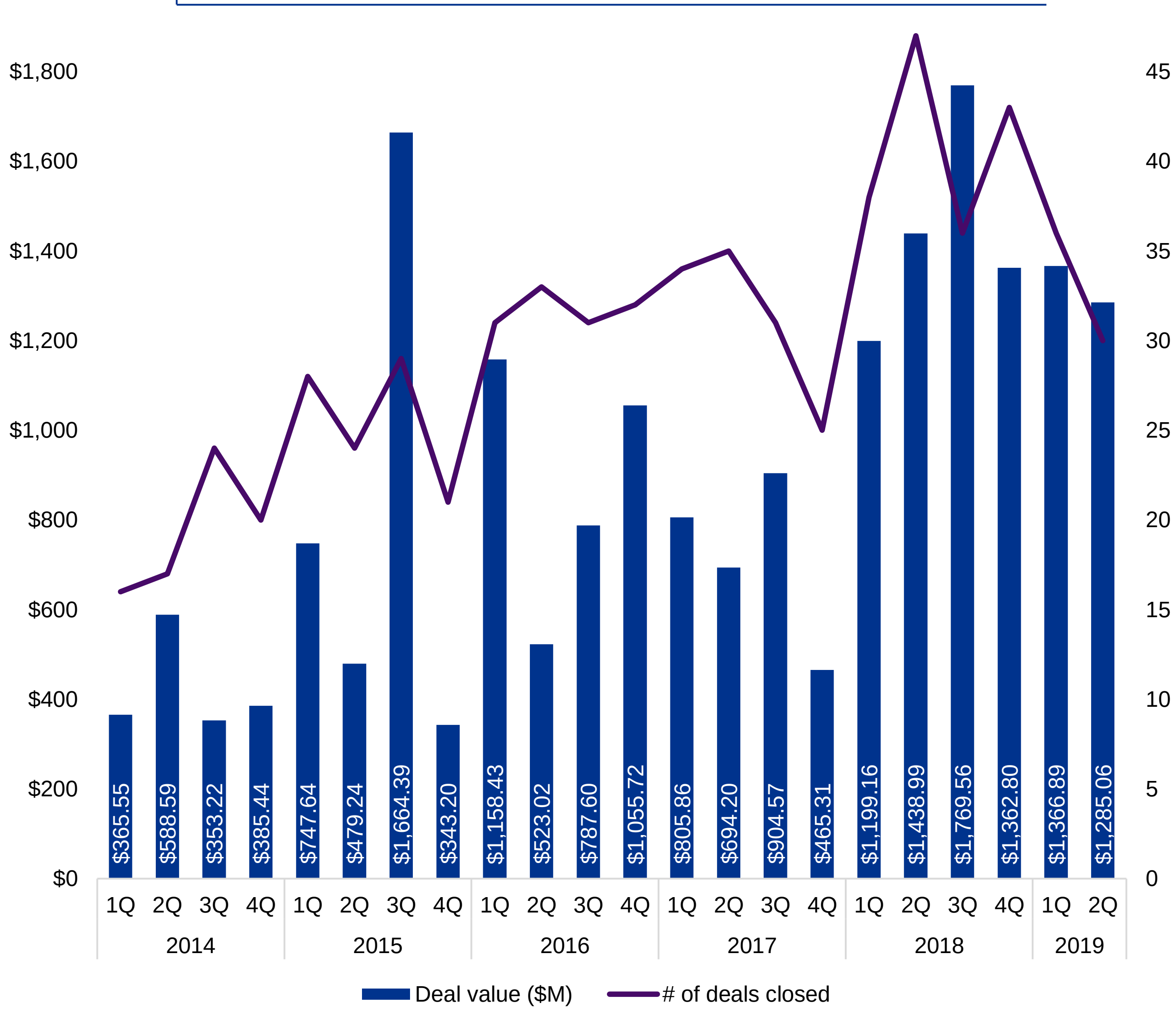
Especially within the US, PE firms have become more active in not only backing late-stage venture-backed companies across the board in order to gain exposure to fast-growing privately held technology firms. Fintech is no exception; thus far, this year they have simply been more selective.

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

Corporates still quite active

Venture activity in fintech in the US with corporate participation
2014–Q2'19

Within the US, the epicenter of VC, deal value has remained quite robust for the total rounds that corporate players participated in. The pace of dealmaking has declined, likely due to the slide in early-stage volume, as various fintech categories grow more dominated by emergent market leaders that are focused on raising late-stage sums.



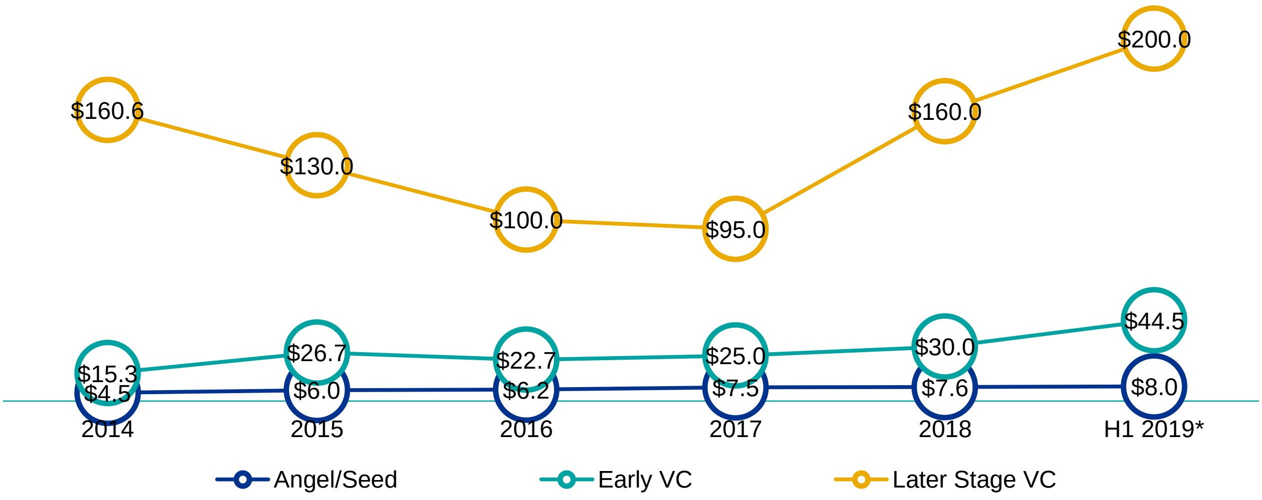
Source: Pulse of Fintech H1 2019, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of June 30, 2019.

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

Every stage and even M&A see significant gains

Median pre-money venture valuations ($M) by stage in fintech in the US

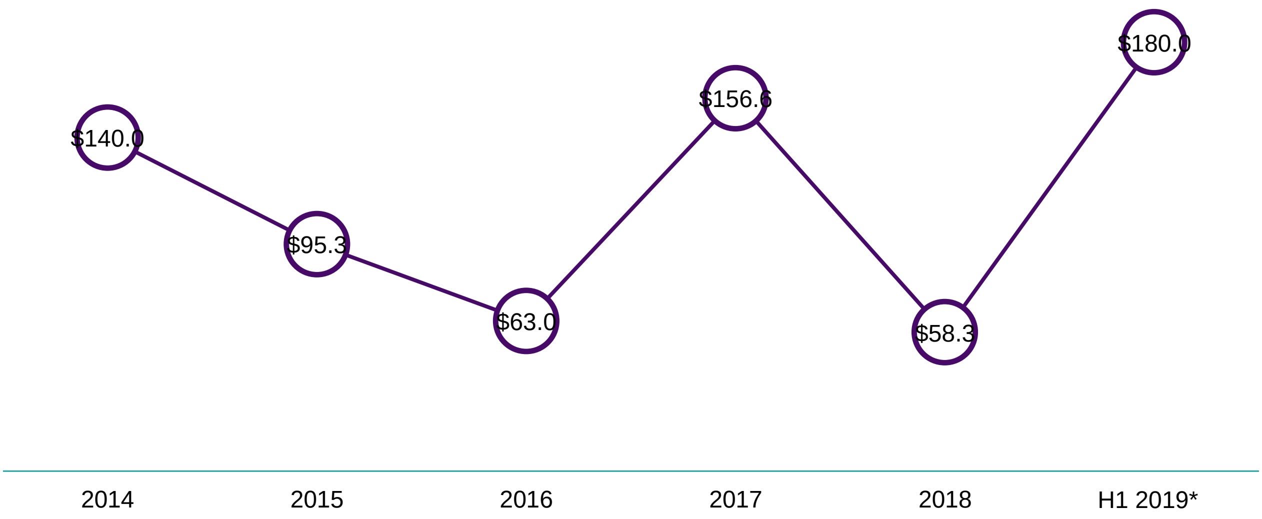
2014–H1 2019*



Source: Pulse of Fintech H1 2019, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of June 30, 2019.

Median M&A size ($M) in fintech in the US

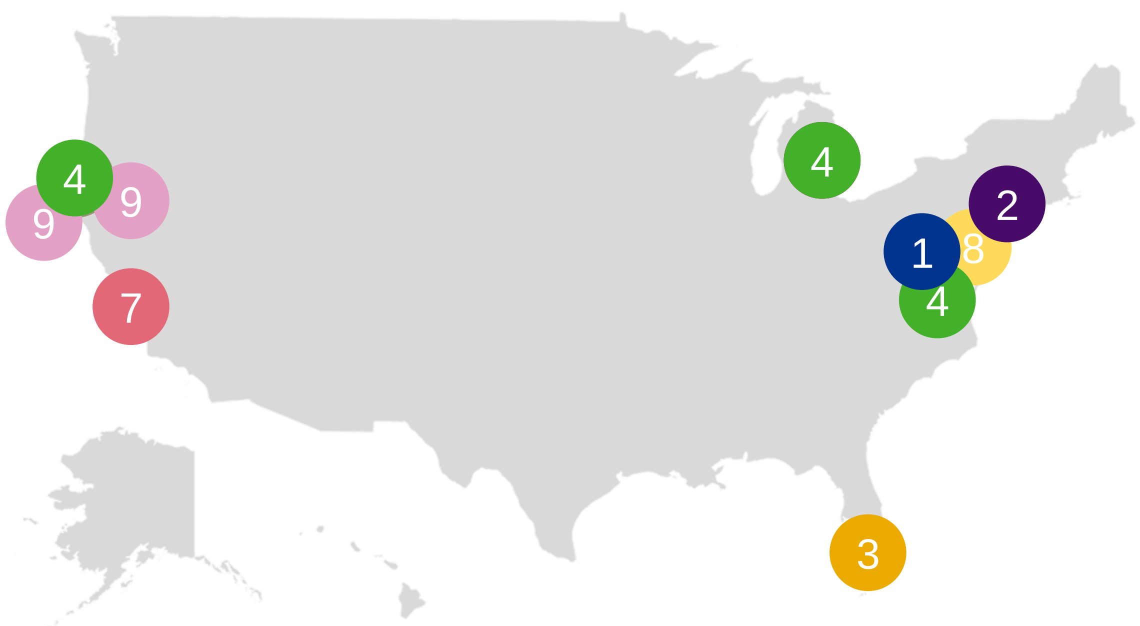
2014–H1 2019*



Source: Pulse of Fintech H1 2019, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of June 30, 2019.
Note: 2019 M&A figures are based on insufficiently robust sample sizes, n < 30.

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

Top 10 US fintech VC, PE and M&A deals in H1 2019



1 **Dun & Bradstreet** — $6.9B, Short Hills, NJ
Institutional/B2B
Buyout

2 **Investment Technology Group** — $1B, New York, NY
Capital markets
M&A

3 **CSI Enterprises** — $600M, Bonita Springs, FL
Institutional/B2B
M&A

4 **PIEtech** — $500M, Powhatan, VA
Institutional/B2B
M&A

4 **Onestream Software** — $500M, Rochester, MI
Institutional/B2B
Buyout

4 **SoFi** — $500M, San Francisco, CA
Lending
Series H

7 **IQMS** — $425M, Paso Robles, CA
Institutional/B2B
M&A

8 **Viteos Fund Service** — $330M, Somerset, NJ
Capital markets
M&A

9 **Carta** — $300M, Palo Alto, CA
Institutional/B2B
Series E

9 **Affirm** — $300M, San Francisco, CA
Lending
Series F

Source: Pulse of Fintech H1 2019, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) *as of June 30, 2019.

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

In H1 2019, investment in fintech companies in Europe hit

$13.2B

with

307 deals

European VC fintech investment on record pace at mid-year

While overall fintech investment in Europe dropped in H1'19, VC investment in fintech remained strong — on pace to set a new record annual high should investment levels continue. While the UK saw the highest volume of fintech deals in Europe, Germany and France saw the two biggest deals of H1'19: the $6 billion acquisition of Concardis and the $1.3 billion acquisition of eFront. Norway also saw a big transaction in the $383 million acquisition of Oslo Børs VPS Holding by EuroNext.

Strength of UK's fintech sector provides resilience

Despite ongoing concerns related to Brexit and a government leadership election, the UK continued to attract a significant amount of fintech funding during H1'19. UK-based firms accounted for six of the top ten fintech deals in Europe at mid-year, including an $800 million investment by the SoftBank Vision Fund into Greensill Capital, the $717 million acquisition of payments firm WorldFirst UK by Ant Financial and a $440 million raise by OakNorth led by the Softbank Vision Fund.

While M&A activity in the UK was sparse compared to other locations, the region saw companies using other means to allow early investors to exit. In May, global money transfer company TransferWise issued $292 million worth of private shares to BlackRock, Lead Edge Capital, Lone Pine Capital and Vitruvian Partners. The company, now valued at $3.5 billion is considered the most valuable fintech in Europe.[3]

Germany attracting fewer but bigger deals

In Germany, while the number of fintech deals dropped in H1'19, the deals that were completed were much larger. In addition to the Concardis acquisition, Germany saw challenger bank N26 raise $300 million (which they then extended into Q3 for additional funds given demand) and fintech marketplace Raisin raise $114 million. These bigger deals highlight the growing strength and maturity of the fintech market in the country, as does the current focus on international growth coming from Germany's most mature fintechs. For example, N26 is currently targeting Latin America and the US for growth.

Ireland sees companies working to mitigate Brexit issues

International companies continued to apply for Payment and E-Money licenses in Ireland in order to ensure continuity of their regulated activities in a post-Brexit world. Stripe joined other high profile companies in H1'19 in securing an e-money license in Ireland, Facebook having secured one in H2'18. Google secured a Payment Intermediary License in H2'18. Several other applications are currently in-progress and expected to be issued in Ireland in H2'19.

"A lot of companies have managed to get intermediary licenses or e-money licenses in Ireland over the past 6 months. Google Payments, Stripe, Facebook, and others. Even more will be issued over the summer given the number of applications in the queue. Companies that may have based their European operations in the UK historically are looking to Ireland and other countries in Europe to get licenses that will allow them continue to operate and provide seamless service in the event of Brexit."

Anna Scally
Fintech Lead and Partner,
KPMG in Ireland

[3] https://www.barrons.com/articles/blackrock-transferwise-51558550916

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

European VC fintech investment on record pace at mid-year (cont'd)

European challenger banks targeting global growth
Fintech companies in Europe are maturing quickly, with a number now focused on international expansion. For example, OakNorth is expected to use the funds from its latest funding round to fuel expansion into the US, and while the company is an SME-focused bank in the UK, it is focusing on B2B opportunities for growth. A number of UK and Germany-based challenger banks are also looking to expand outward, including Monzo — which announced plans to offer services in the US, Revolut — which announced the launch of a beta version of its app in Australia, and N26 — which recently announced plans to launch its retail banking service in Brazil.

PSD2 continues to drive fintech investment
The next phase of PSD2 kicks in on September 14, 2019. As a part of this, all payments processes and all transactions that happen over the internet will require strong customer authentication (SCA). The increased security requirements are driving a number of firms to invest in startups focused on SCA. In H2'19, for example, Stripe acquired Ireland-based Touchtech Payments, a company focused on customer authentication to help improve the security of its online transactions.

Israel continues to see solid investment as focus areas expand
Israel continued to see significant interest from both corporate fintech investors and others during H1'19. While security-focused companies continued to attract significant funding, insuretech also continued its rise in prominence. Retail banking also became a higher investment priority driven by the new open banking regulation, with more activity expected from banks in 2020.

Cross-border investments propelling fintech market
International investors fueled fintech investment in Europe in H1'19. On the M&A side, Germany-based payments company Concardis was acquired by US-based Advent International and Bain Capital Private Equity for $6 billion, while France-based investment software company eFront was acquired by US-based BlackRock. BlackRock also purchased private shares in TransferWise. Japan's Softbank Vision Fund was also highly active, leading both the Greensill Capital and OakNorth funding rounds. Germany also saw a number of cross-border investors, including China-based tech giant Tencent.

Trends to watch for in Europe
Looking ahead to H2'19, fintech activity and investment is expected to continue to grow, with some focus on SCA given the new rules coming into effect. There is also expected to be increased interest in comparison platforms for banking services. Digital banking is expected to remain a hot topic as challenger banks focus on international expansion. In the UK, Brexit will continue to be a key area to watch as the new October deadline draws near.

"In Germany, the number of investments is shrinking while deal sizes are getting bigger as investors focus on a few high-quality deals instead of trying to invest in everything that they can see in the market. We're also seeing strong participation from investors outside of Germany, such as the recent big investments from China's Tencent or Japan's Softbank Vision Fund. As local fintechs begin to eye global growth, such participation is likely going to increase."

Sina Steidl-Küster
Partner, Fintech Lead,
KPMG in Germany

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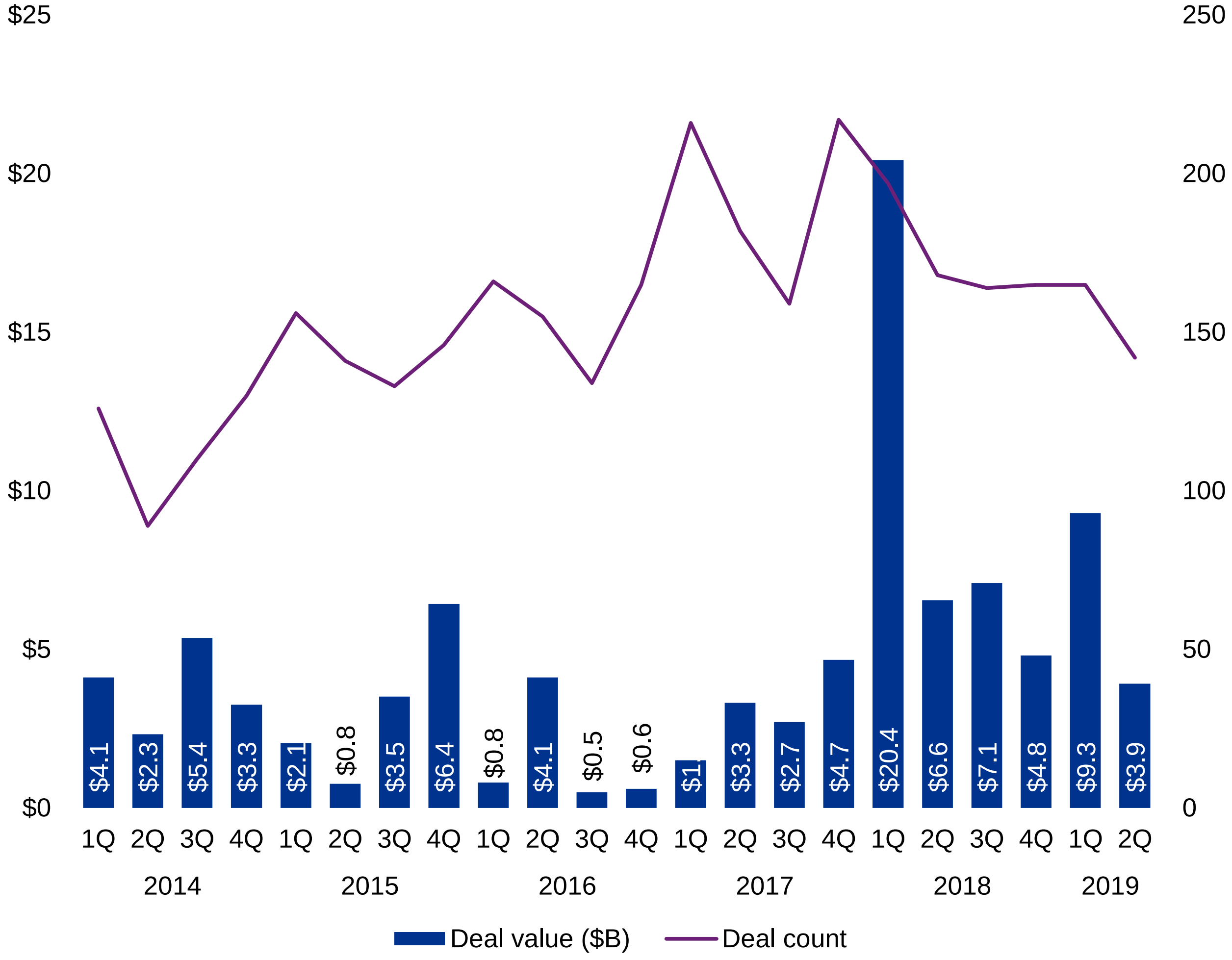
Volume returns to normalcy

Total investment activity (VC, PE and M&A) in fintech in Europe
2014–Q2'19



Source: Pulse of Fintech H2'2019, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) June 30, 2019.
Note: Please refer to the end of the document for any changes in methodology between this and prior editions of the Pulse of Fintech.

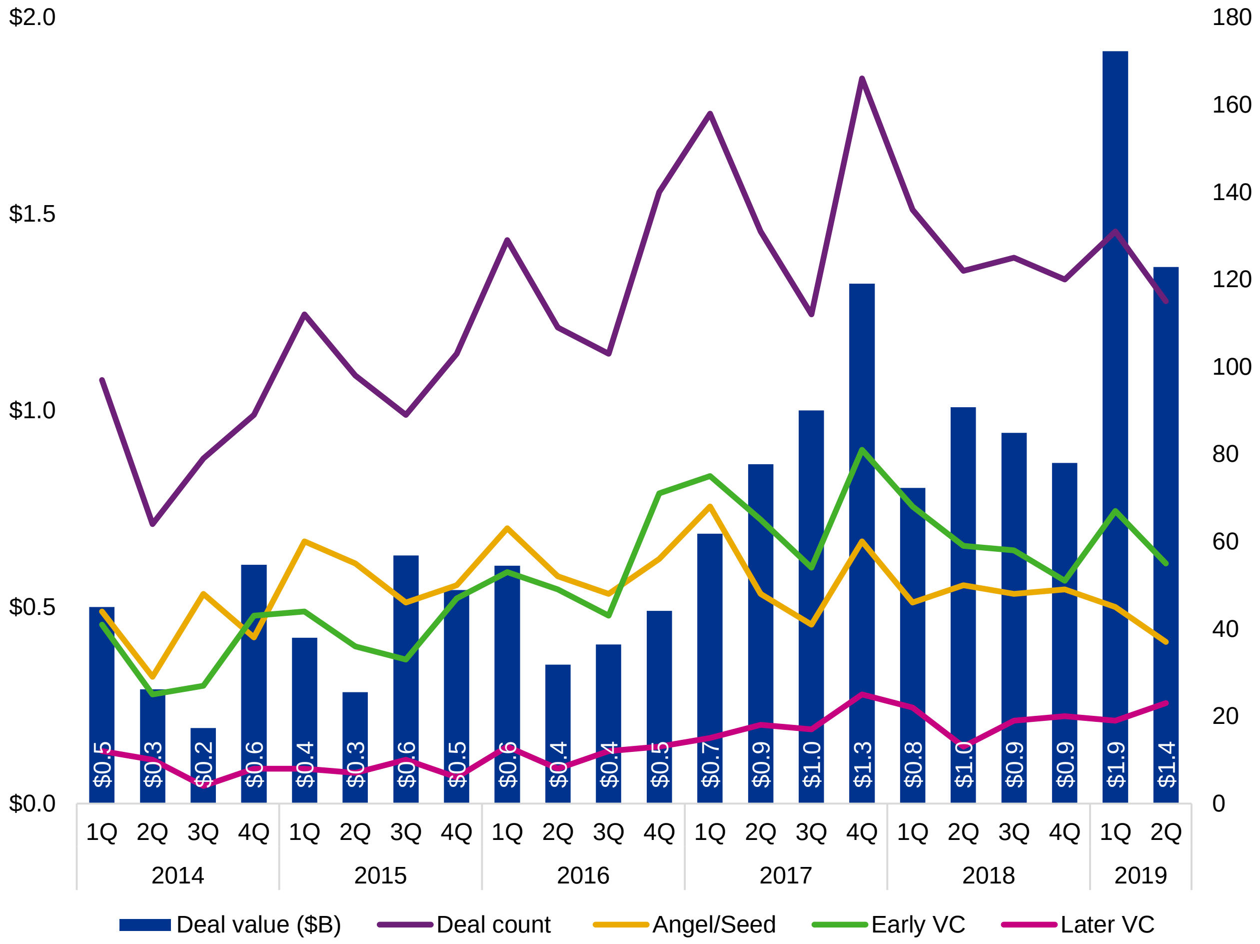
The quarter-over-quarter downturn in fintech volume in Europe has continued since the penultimate edition of the Pulse of Fintech, yet as overall levels are still aligning with longer-running historical averages, the decline should not be overinterpreted as any significant shift in the fintech investment cycle, as of yet.

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

VC stays more than healthy

Venture investment in fintech companies in Europe

2014–Q2'19

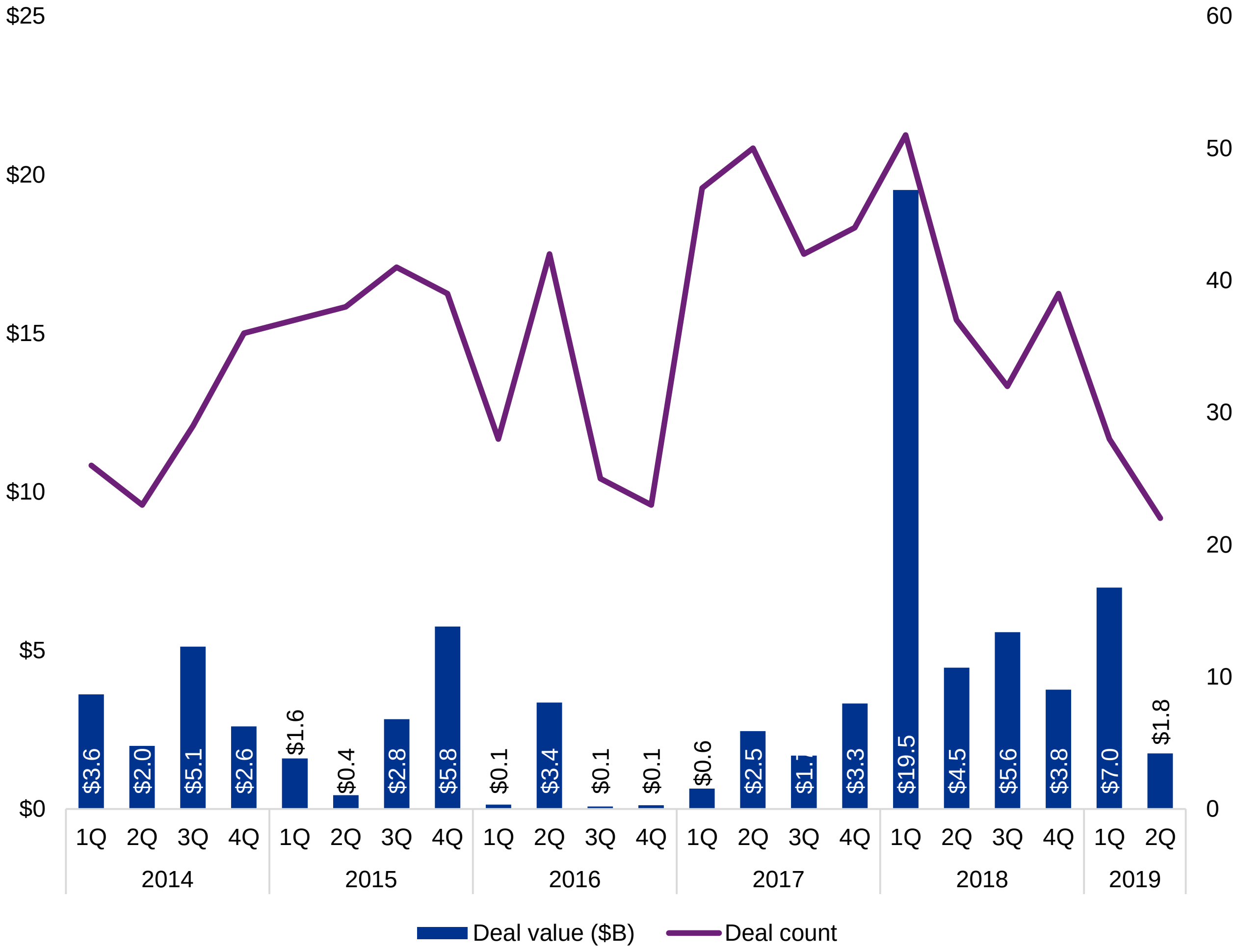


Source: Pulse of Fintech H1 2019, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) *as of June 30, 2019.

In line with the broader European venture scene, even as volume has deflated somewhat quarter over quarter, VC invested stayed strong, in an indication of the concentration at the late stage and investors' growing caution, with consequent focus on safer, if pricier, bets.

M&A slides in H1

M&A activity in fintech in Europe
2014–Q2'19

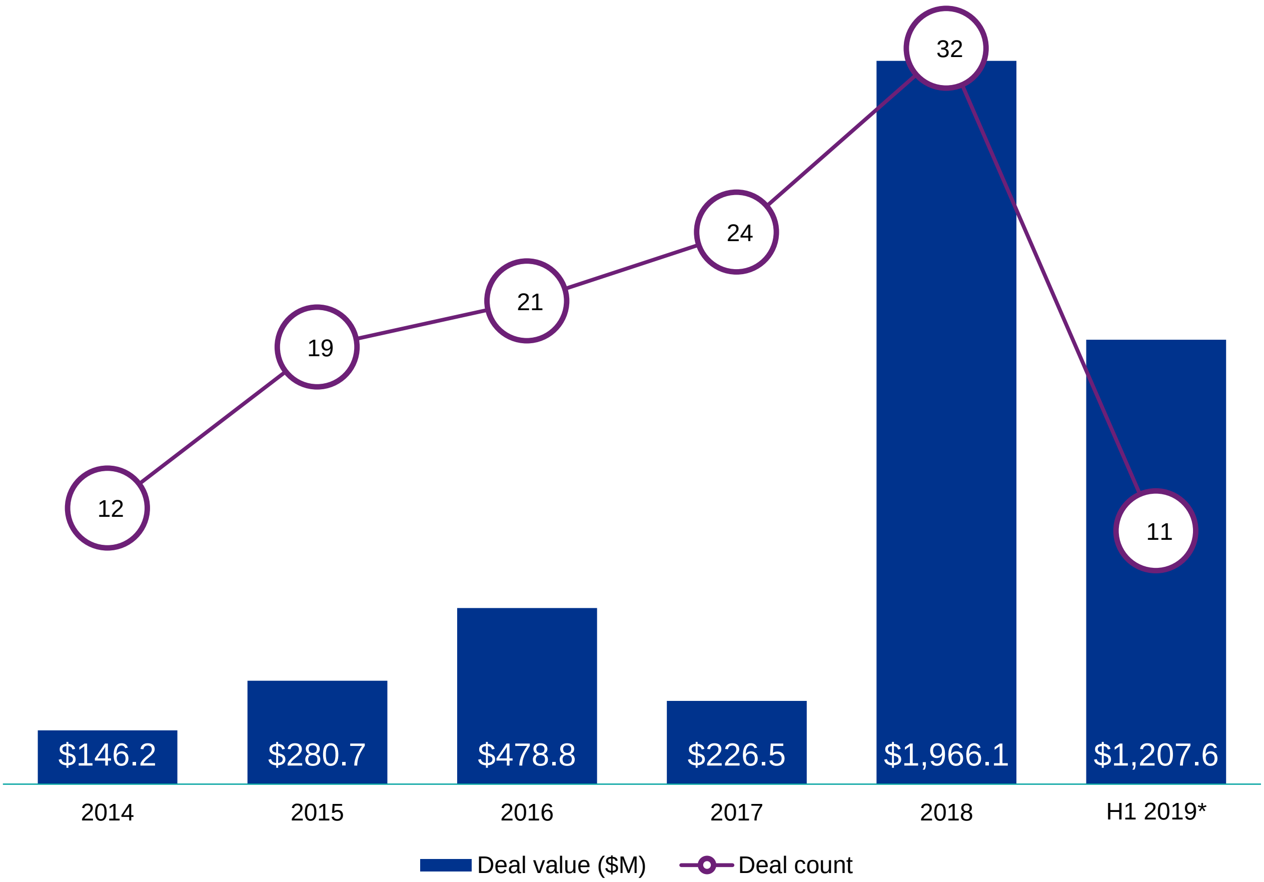


Once Worldpay's acquisition finally closes, given ongoing regulatory reviews seem to finally be coming to a close, it'll mark another blockbuster quarter much like what was kicked off 2018. Until then, sluggish M&A volume seems to be more of the norm as the cycle slows down, given concentration in key fintech categories has already been achieved.

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

PE investors pick up the pace

PE growth investment activity in fintech in Europe
2014–H1 2019*

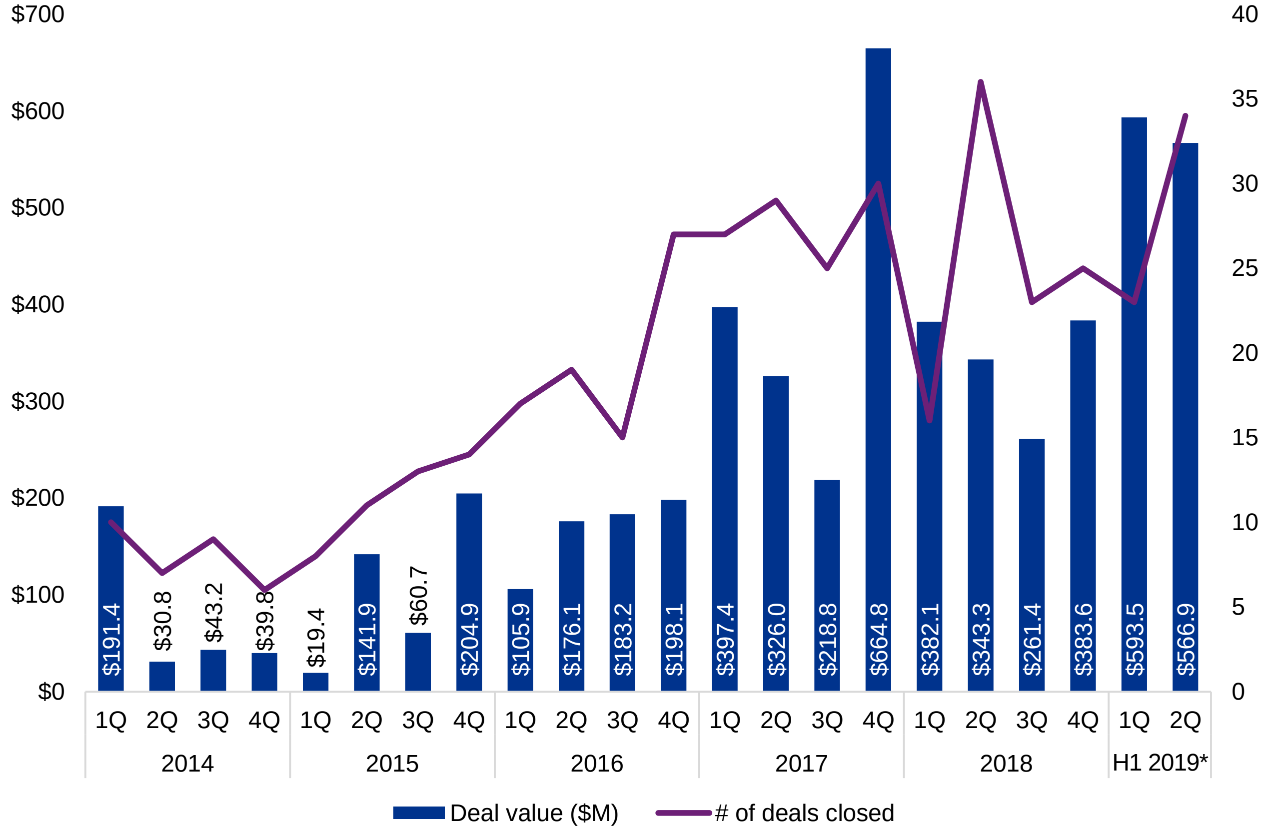


Source: Pulse of Fintech H1 2019, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of June 30, 2019.

Over the past several years, PE investment in fintech has enjoyed a slow but steady rise, culminating in the highest tally yet for both volume and deal value last year. Such a rise is most likely attributable to PE investors' growing interest in technology businesses overall, with fintech proving a natural fit given the extant capabilities many PE firms have within financial services.

CVCs keep up the pace

Venture activity in fintech in Europe with corporate participation
2014–H1 2019*

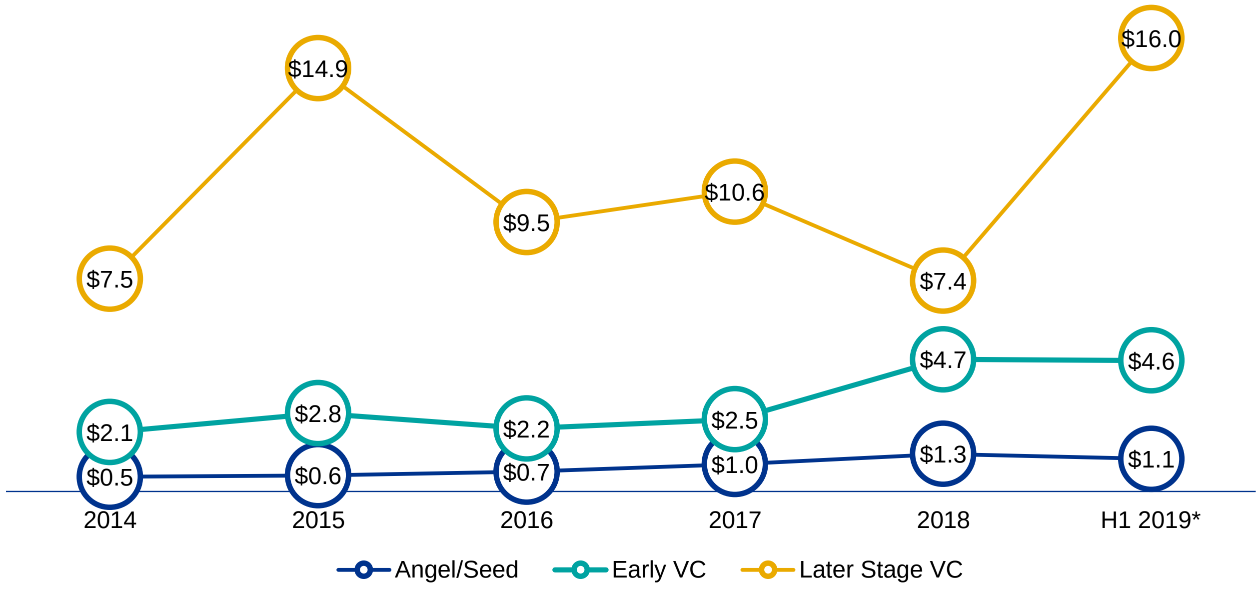


Source: Pulse of Fintech H1 2019, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of June 30, 2019.

Unlike other regions, Europe has seen not only consistent pacing of deal volume, but also a surge in deal value associated with corporate players. Outliers certainly skewed that total, but it does speak to corporate players' eagerness to gain exposure at the late stage to fintech companies that are emerging as category leaders.

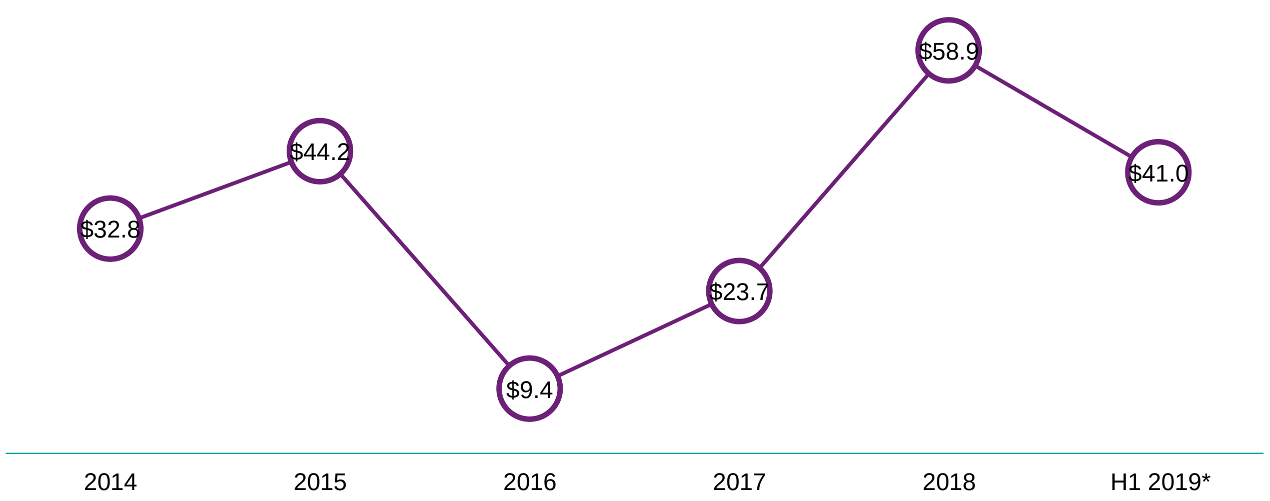
The late stage booms

Median venture financing size ($M) by stage in fintech in Europe
2014–H1 2019*



Source: Pulse of Fintech H1 2019, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of June 30, 2019.

Median M&A size ($M) in fintech in Europe
2014–H1 2019*

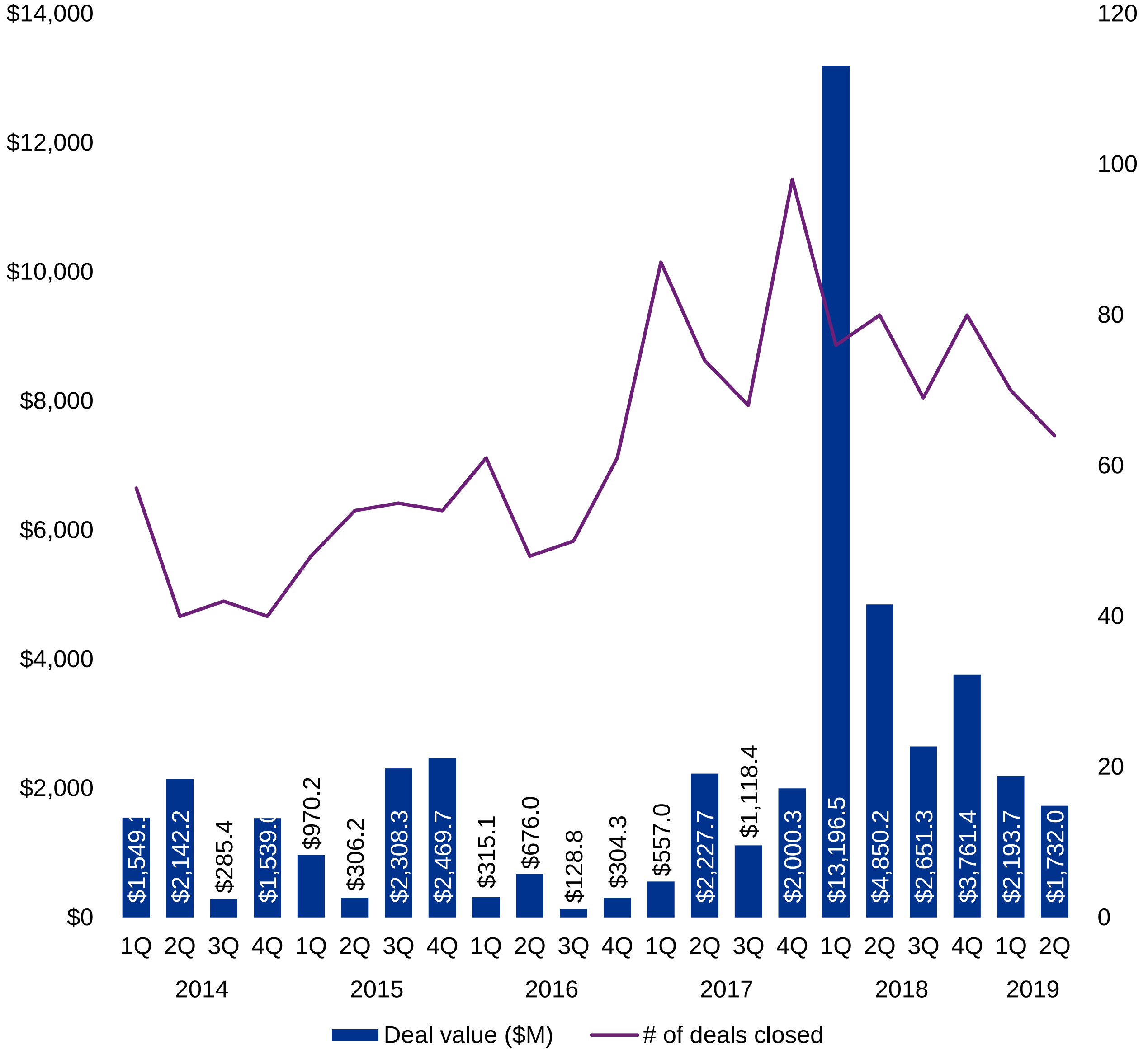


Source: Pulse of Fintech H1 2019, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of June 30, 2019.
Note: 2019 data is based on a small sample size, n < 30.

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

Activity softens slightly

Total investment activity (VC, PE and M&A) in fintech in the United Kingdom
2014–Q2'19



Source: Pulse of Fintech H1 2019, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) *as of June 30, 2019.

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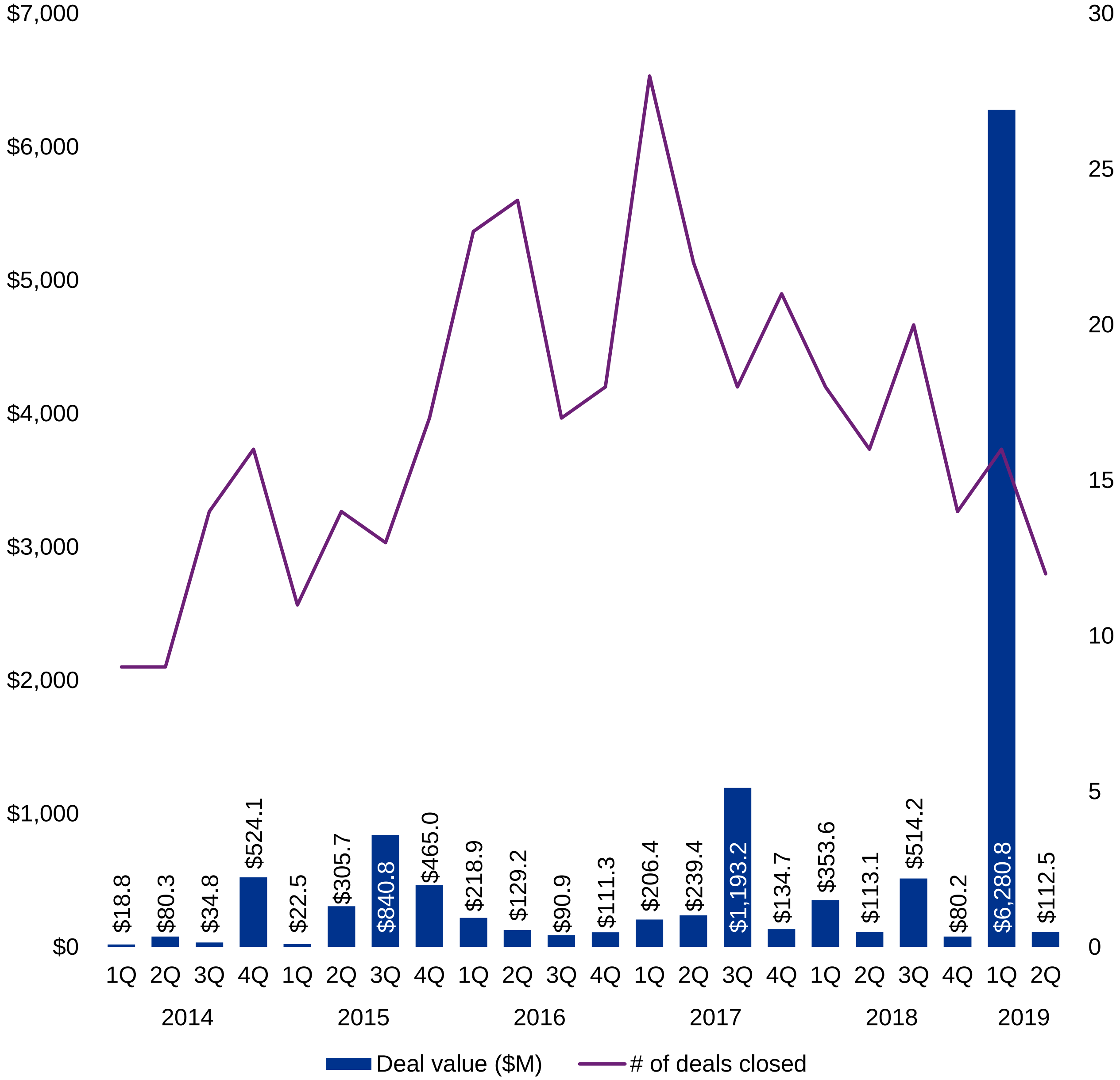
An outlier quarter

Total investment activity (VC, PE and M&A) in fintech in Germany
2014–Q2'19

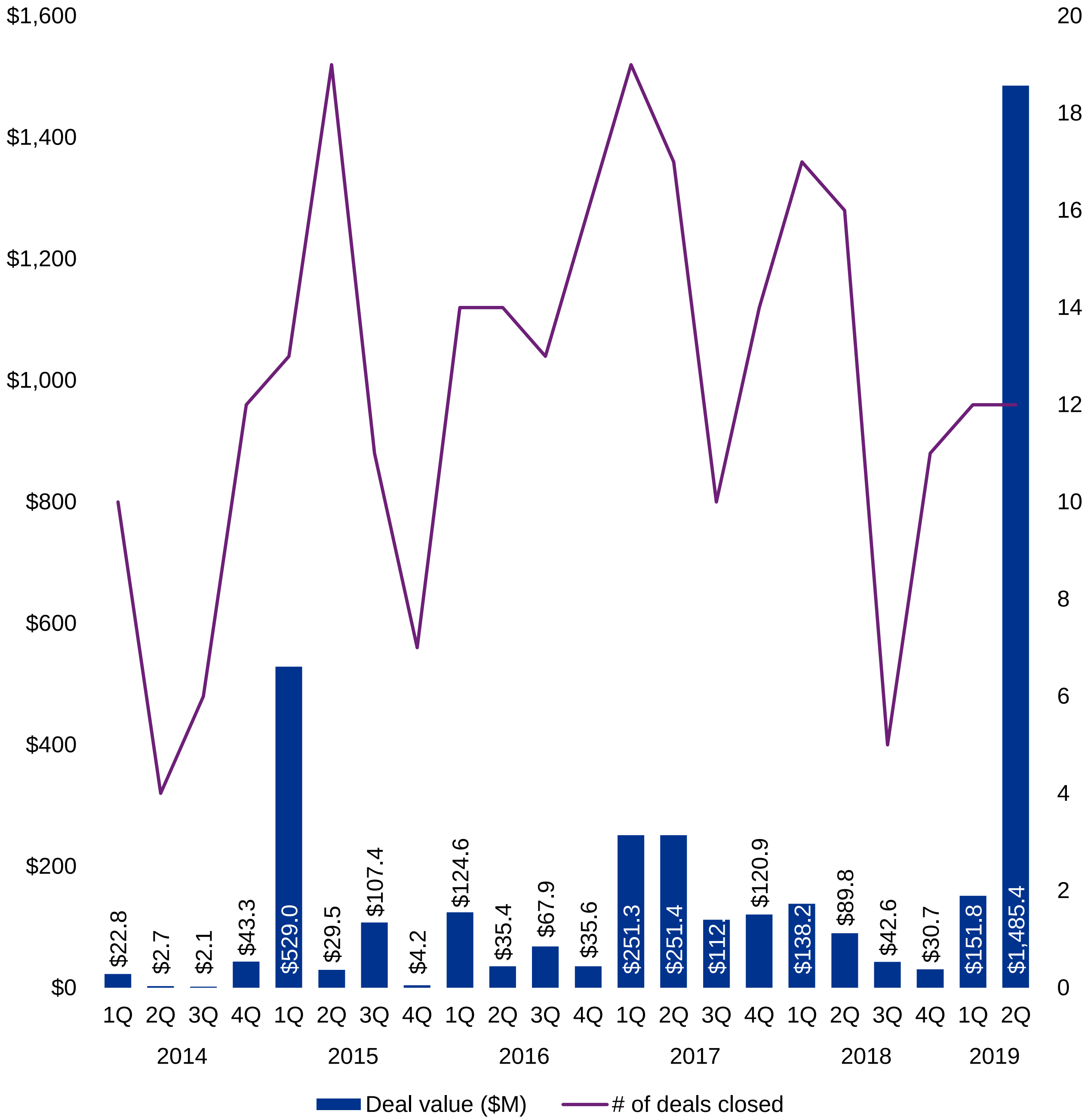


Source: Pulse of Fintech H1 2019, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) *as of June 30, 2019.

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

France sees record deal value

Total investment activity (VC, PE and M&A) in fintech in France
2014–Q2'19



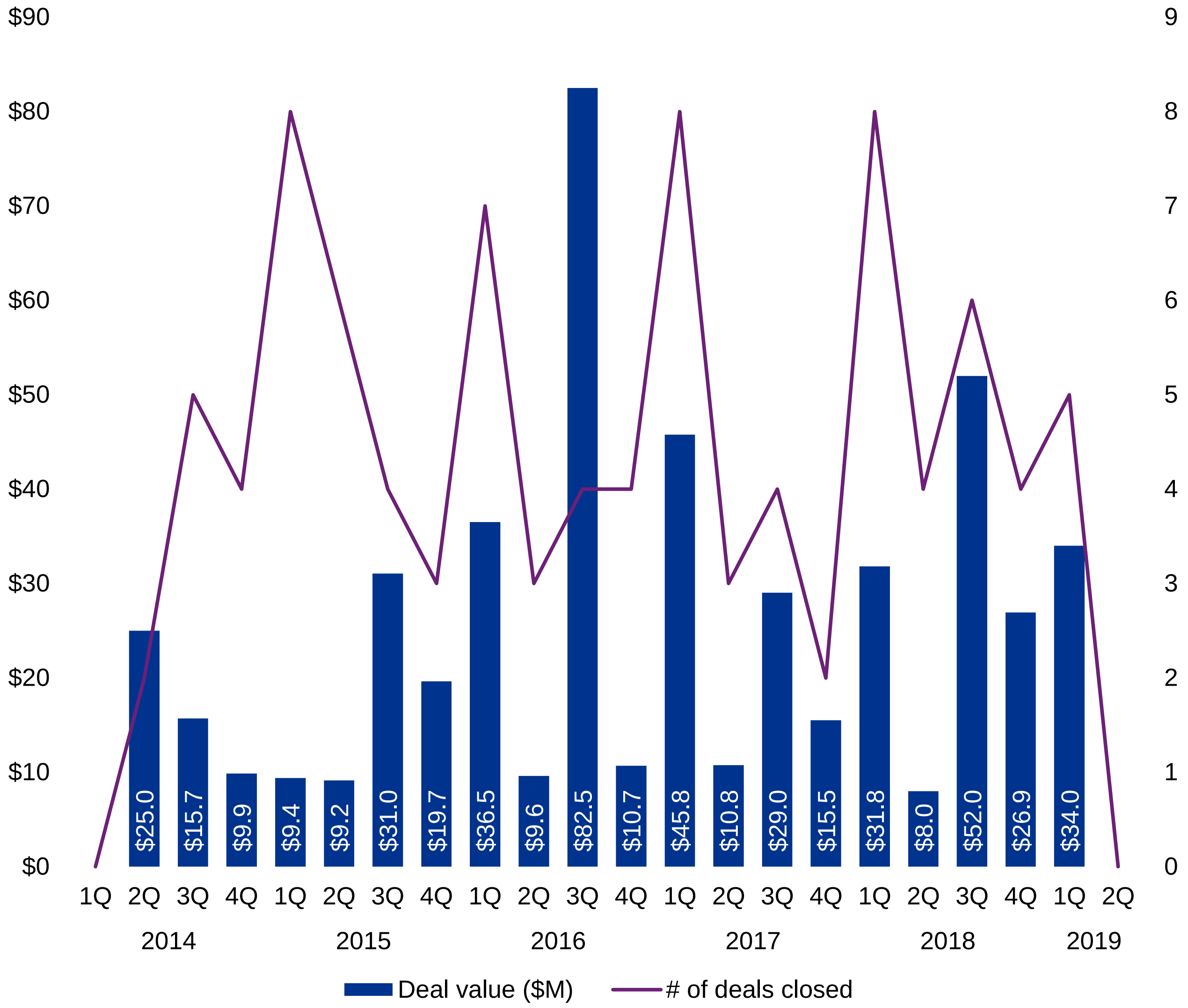
Source: Pulse of Fintech H1 2019, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) *as of June 30, 2019.

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

Deal-making grinds to a halt

Total investment activity (VC, PE and M&A) in fintech in Israel

2014–Q2'19



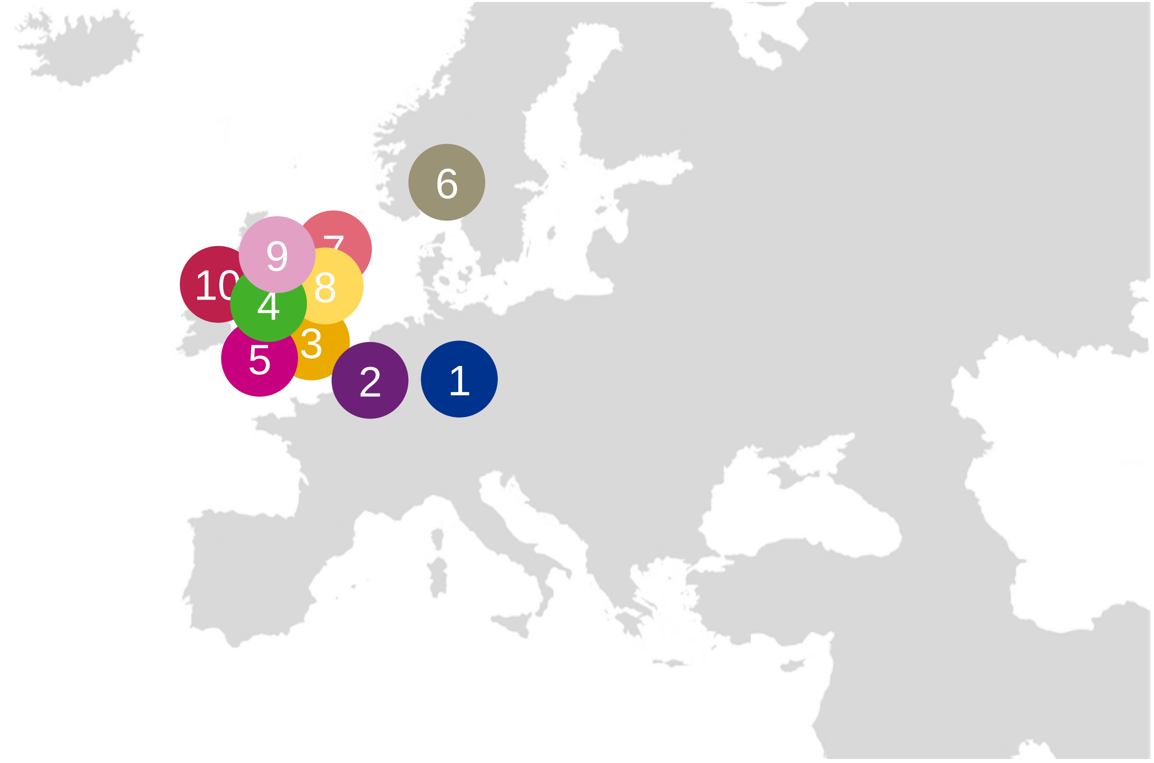
Source: Pulse of Fintech H1 2019, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) *as of June 30, 2019.

"There is a lot of activity in the retail banking space — both in Israel and across Europe. Digital banking and digital banks will only become more prominent in the market over the next few quarters because of the new regulations related to open banking and the opportunities being created there."

Meital Raviv
Head of Fintech & Innovation, Financial Services,
KPMG in Israel

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

Top 10 European fintech deals in H1 2019



1 **Concardis** — $6B, Eschborn, Germany
Payments/transactions
Buyout

2 **eFront (France)** — $1.3B, Paris, France
Institutional/B2B
Buyout

3 **Greensill Capital** — $800M, London, UK
Institutional/B2B
PE growth

4 **World First UK** — $717M, London, UK
Payments/transactions
M&A

5 **OakNorth** — $440M, London, UK
Institutional/B2B
PE growth

6 **Oslo Bors VPS** — $383.3M, Oslo, Norway
Capital markets
M&A

7 **Checkout.com** — $230M, London, UK
Payments/transactions
Series A

8 **Iwoca** — $195.6M, London, UK
Lending
Series D

9 **WorldRemit** — $175M, London, UK
Payments/transactions
Series D

10 **Evolution Funding** — $143.4M, Chesterfield, UK
Lending
PE growth

Source: Pulse of Fintech H1 2019, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) *as of June 30, 2019. Note: N26 closed on $300 million of Series D funding in H1 2019, yet then extended the round in July 2019, thus removing its round from consideration in this list.

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

In H1 2019, investment in fintech companies in Asia Pacific received

$3.6B

across

102 deals

Fintech investment in Asia Pacific drops to multi-year low

Fintech investment in Asia Pacific got off to a modest start in 2019 after experiencing a record-shattering level of investment in 2018. Both VC investment and M&A activity in Asia Pacific came down significantly during the first half of the year. A lack of megadeals in China accounted for the majority of the decline with investors holding back given both the US-China trade tensions and the increasing regulatory focus on fintech and fintech companies by Beijing.

Diversity of ASPAC countries attract fintech investment

Asia Pacific saw a highly diverse mix of countries winning fintech investment during H1'19, highlighting the growth of fintech hubs throughout the region. The top ten deals within Asia Pacific included companies from seven different countries. In addition to four deals in China and one in Korea – a $200 million raised by Blockchain Exchange Alliance — the other deals came from Australia (AirWallex: $100 million), Indonesia (Akulaku: $100 million), Vietnam (Momo: $100 million) and Singapore (GoBear: $80 million).

Fintech market maturing and evolving in China

Fintech investment in China was relatively quiet in the first half of 2019 when compared to the mega deals seen in 2018. After 2 years of ongoing investment and megadeals, China's payments sector has matured significantly. As a result, investment has levelled off. Despite the pause in investment, a number of less mature areas of fintech are growing rapidly in the eyes of investors, including microfinance and consumer finance. At a technology level, China is also seeing significant interest in AI, cloud-solutions, big data and blockchain. As these burgeoning areas of fintech evolve and gain more traction, fintech investment in China is expected to rebound.

Fintech market growing as virtual banking licenses issued in Hong Kong (SAR), China

Hong Kong (SAR), China made major strides to support the development of fintech during H1'19, with the Hong Kong Monetary Authority issuing its first eight virtual banking licenses — to Livi VB, SC Digital Solutions, ZhongAn Virtual Finance, WeLab Digital Limited, Ant SME Services (Hong Kong) Limited, Infinium, Insight Fintech, and Ping An OneConnect. These companies reflect a diverse mix of non-traditional banking organizations, including insurance companies and telecoms. Several of China's tech giants were represented among the companies that obtained virtual banking licenses, including Tencent and Ant Financial.

Hong Kong (SAR), China's innovation ecosystem also continued to expand during H1'19. Digital start-up community Cyberport signed a deal with Ping An OneConnect in order to get access to its Gamma API platform, which should help spur innovation.

"China's fintech market is unique. Baidu, Alibaba and Tencent (BAT companies) dominate and are making acquisitions to try to cover all the major sectors. We therefore expect the minority market to see more participation from small and medium-sized fintech players."

Tracey Zhang
Financial Service Tax Lead Partner,
KPMG China

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

Fintech investment in Asia drops to multi-year low (cont'd)

Singapore planning to issue virtual banking licenses
Following in Hong Kong (SAR), China's footsteps, the Monetary Authority of Singapore (MAS) announced plans in H1'19 to issue up to five virtual banking licenses to Singapore-headquartered companies. The MAS licenses are expected to be granted to companies focusing on responding to the needs of underserved market segments, such as SMEs. Already, several large tech companies have shown interest in the MAS licenses, including Grab and Razer.

Increasing regulatory focus in China
In 2018, Beijing increased regulations governing P2P companies in order to address potential red flags, protect the interests of the public, and ensure the market could develop in an appropriate manner. With these regulations now considered routine, the central government is enhancing its focus on providing guidance and regulations to other areas of the fintech industry.

The Chinese central government is investing significantly in regtech as a means to help manage and monitor fintech companies from a regulatory perspective. Given the evolution of the fintech sector is technology-driven, the government recognizes that traditional means of monitoring may not be effective. In addition to making direct investments, the government has also been encouraging leading regtech companies to acquire advanced technologies in the market through the creation of tax incentives and other supports.

Australia sees successful fintech IPO
Similar to other regions of the world, fintech IPOs in Asia Pacific have generally been non-existent despite the increasing number of tech IPOs more broadly. Australia has been one exception; the country saw SME lending company Prospa, one of Australia's largest fintech companies, hold a successful IPO in June. With the success of Prospa, and the ongoing success of Afterpay, a fintech that issued its IPO in 2016, Australia could see other fintech companies also considering IPOs.

Trends to watch for in Asia Pacific
In China, blockchain is expected to gain more attention from fintech investors, particularly in microfinancing. AI, big data and cloud services are also expected to remain attractive. Regtech is also poised to see growing investment given the strong focus being given to it by the central government and provincial government authorities.

Hong Kong (SAR), China will be one jurisdiction to watch as the companies that were issued virtual banking licenses move forward. If successful, their experience, could help spur additional investment — both from non-traditional players and from traditional banks.

"The new Hong Kong virtual banking licenses are very exciting. As the virtual banks start to implement their strategies over the next year, we will see the major traditional banks strive to keep up in response. The expectation is that the virtual banks will be able to grow over time."

Avril Rae
Head of Fintech, Hong Kong (SAR), China
KPMG China

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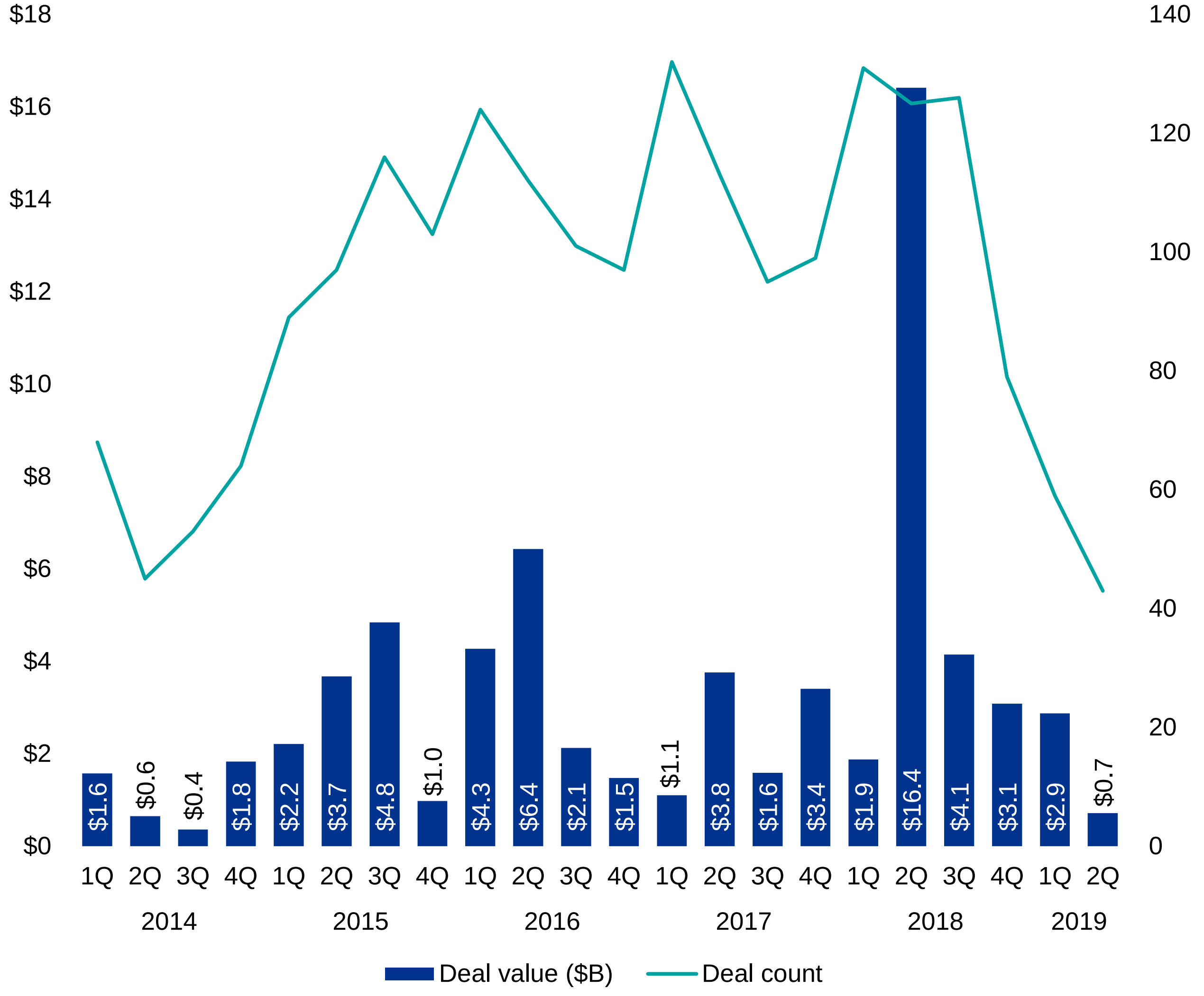
A temporary downturn?

Total investment activity (VC, PE and M&A) in fintech in Asia Pacific
2014–Q2'19



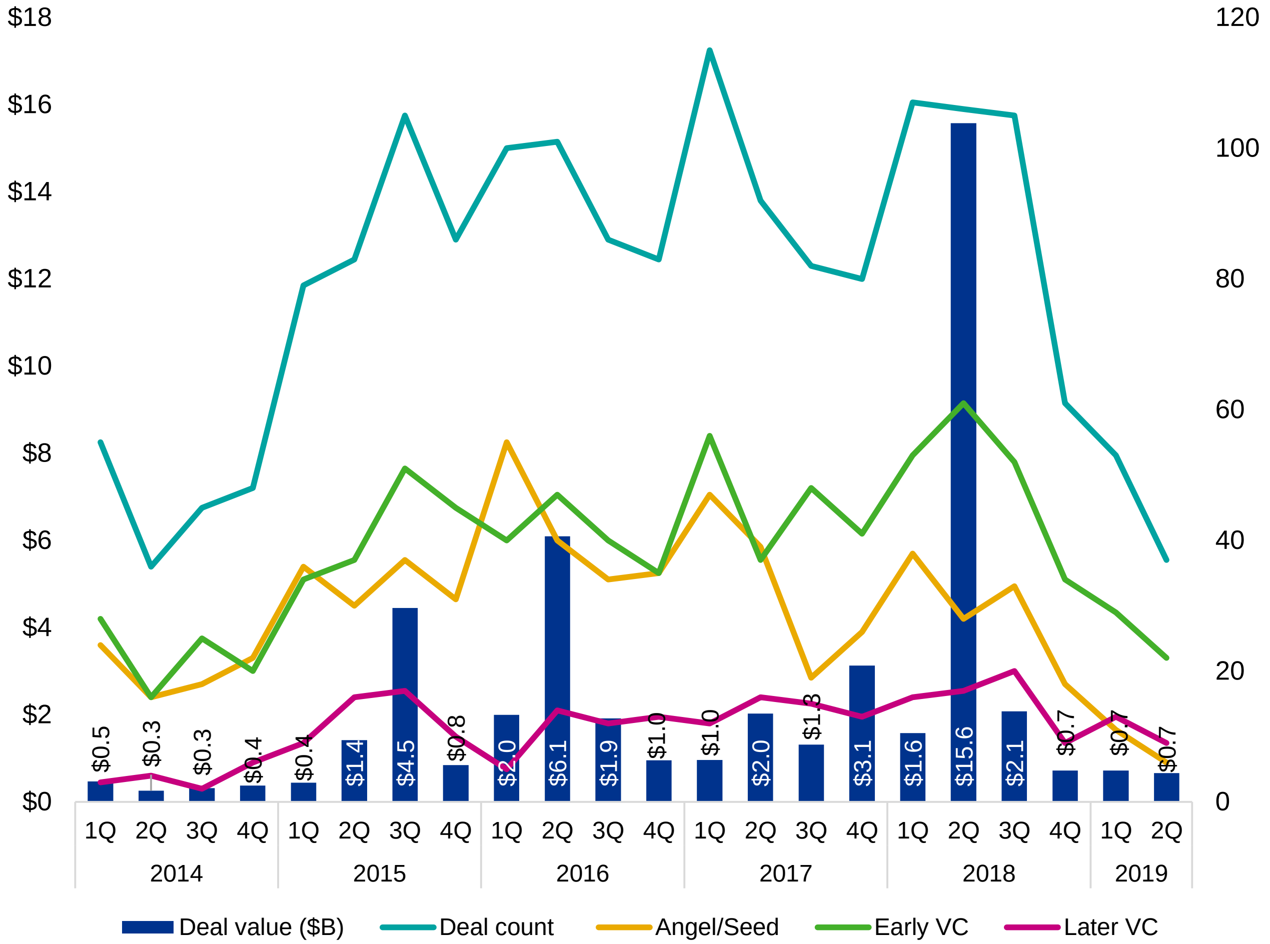
Source: Pulse of Fintech H1 2019, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) *as of June 30, 2019.
Note: Please refer to the methodology page at the end of the report for any changes between this edition of the Pulse of Fintech and prior editions.

As noted in the prior edition of the Pulse of Fintech, private markets data does tend to lag, so the downturn in deal volume may not be quite as sharp as it appears currently, but rather is likely more similar to tallies logged in 2014. However, the downturn is evident, and the only question that remains is how temporary it is.

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

VC downturn contributes to larger slide

Venture investment in fintech in Asia Pacific
2014–Q2'19



The Asia-Pacific fintech ecosystem is now confirmed to be undergoing a significant downturn in volume, which has been largely due to the dramatic slide in early-stage VC tallies. It is likely overall geopolitical pressures and ongoing economic issues have given many investors, especially foreign, pause.

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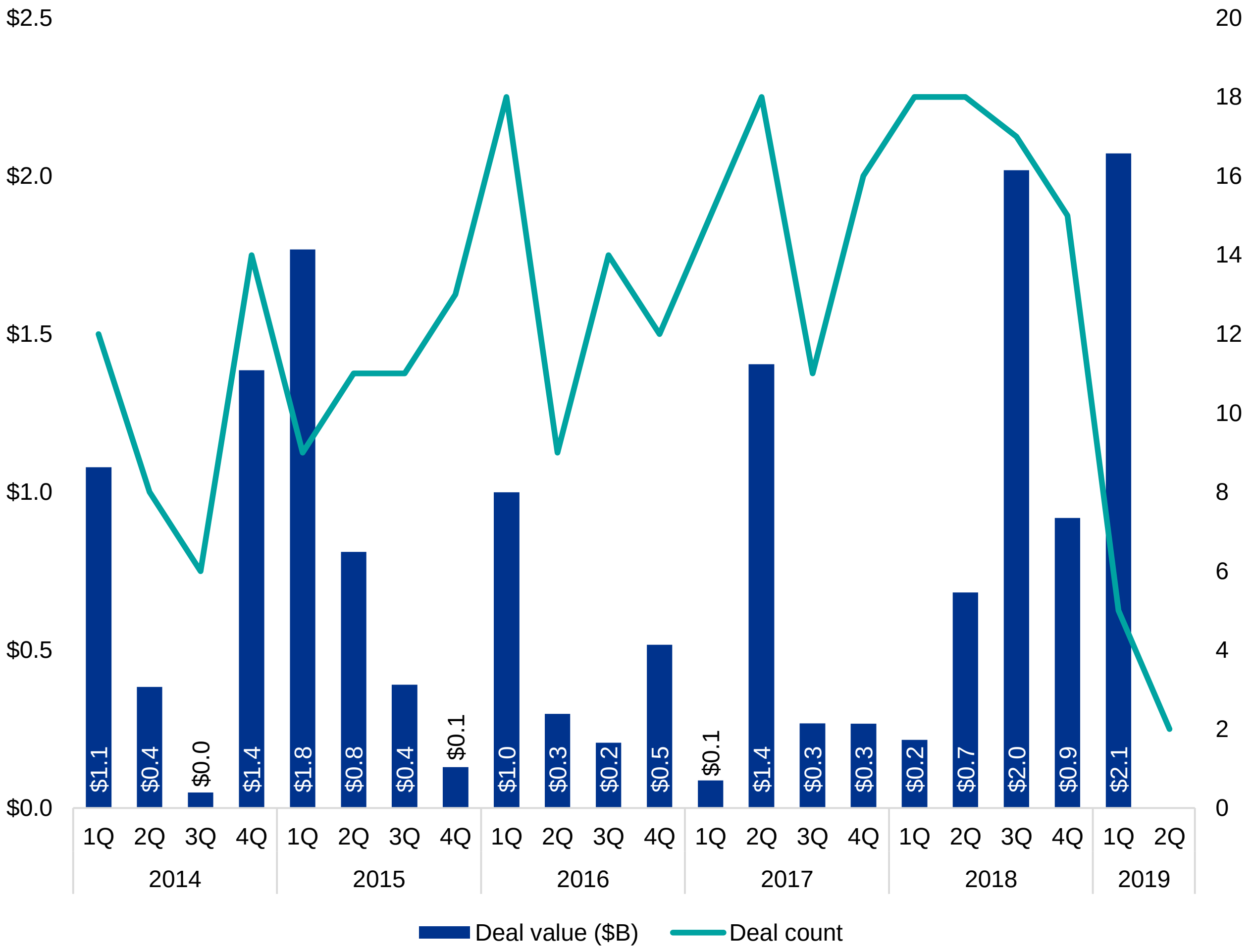
M&A drops to lowest levels seen in years

M&A activity in fintech in Asia Pacific
2014–Q2'19



Once again, it is clear that the fintech scene in Asia Pacific is still maturing overall and still isn't quite as developed as other regions, as consolidation is still kicking in. The fact that giant corporations dominate many aspects of fintech already also contributes to more inconsistency in aggregate deal values, as timing of large transactions skews trends more than in other regions. That said, volume is likely to return, as the cycle inevitably refreshes with a pipeline of more mature companies, in the coming years.

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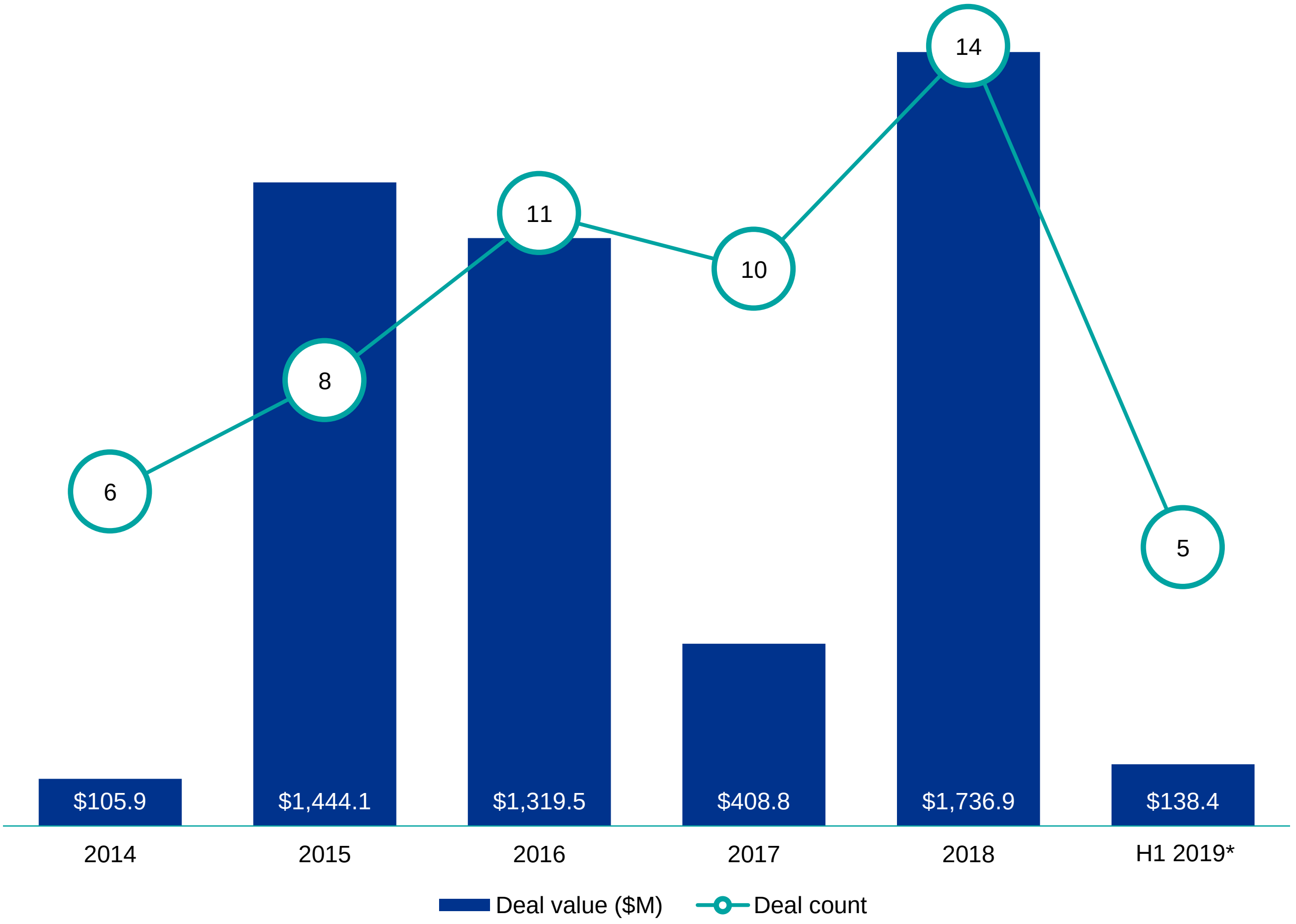
PE dollars flow more slowly than in the past

PE growth investment activity in fintech in Asia Pacific
2014–H1 2019*

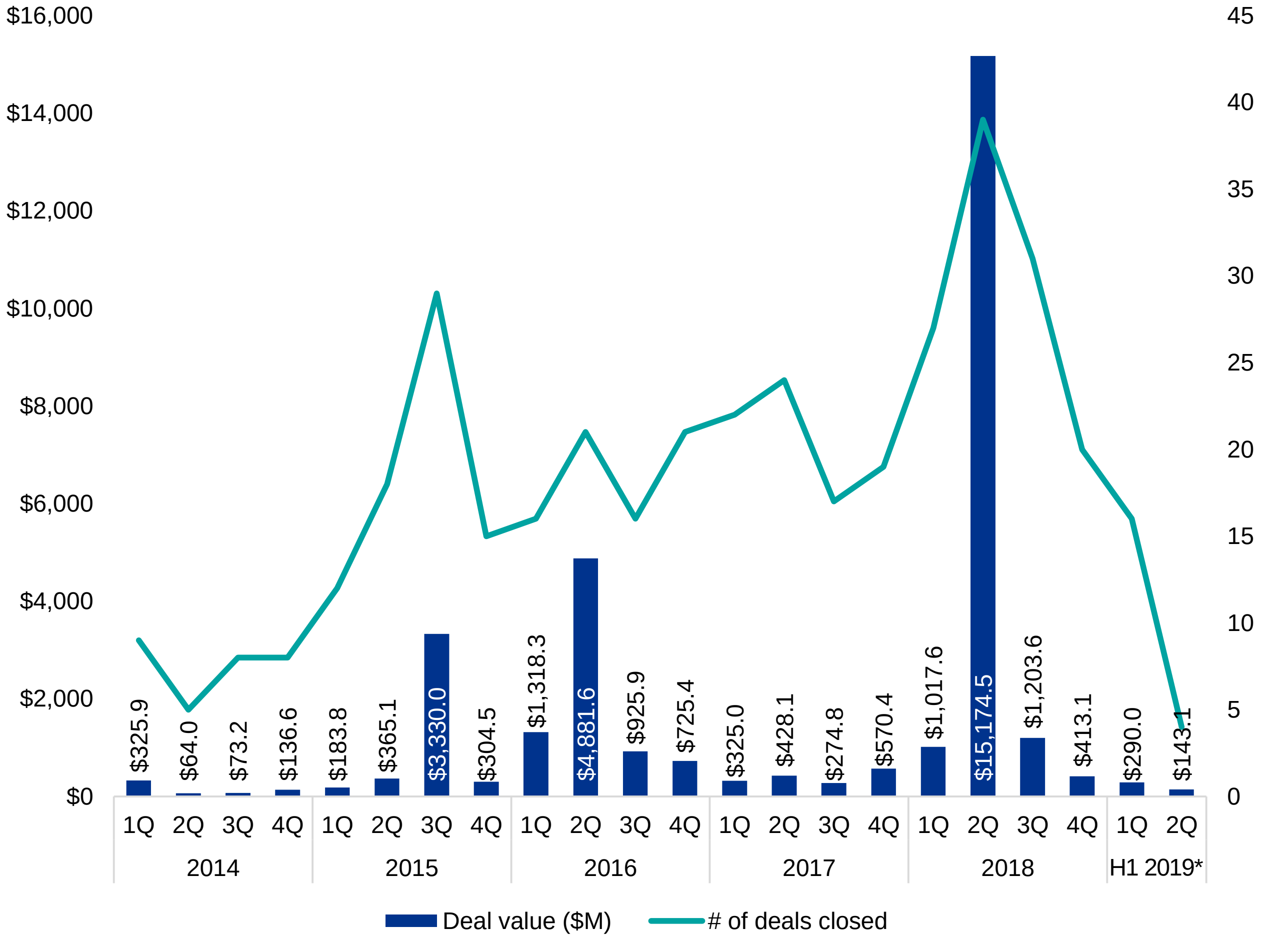


Source: Pulse of Fintech H1 2019, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of June 30, 2019.

PE firms are still closing deals within the region, yet overall, at a much slower pace, likely dissuaded by concerns around retaliatory trade wars, potential slowing economic growth, and also the overall supply of more mature fintech companies. That last factor is once again likely to be resolved once the pipeline of companies that align with PE investing theses has refilled, much like that for M&A.

CVCs pull back, and VC consequently suffers

Venture capital activity in fintech in Asia Pacific with corporate participation
2014–Q2'19



Source: Pulse of Fintech H1 2019, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) *as of June 30, 2019.

Corporate players are critical to the budding Asia-Pacific fintech ecosystem, particularly within the realm of VC. They helped reach a record peak last year, due to Chinese outliers, but thus far this year have not been quite as active. Once they dial up their pace, that'll help assuage the decline in overall VC activity.

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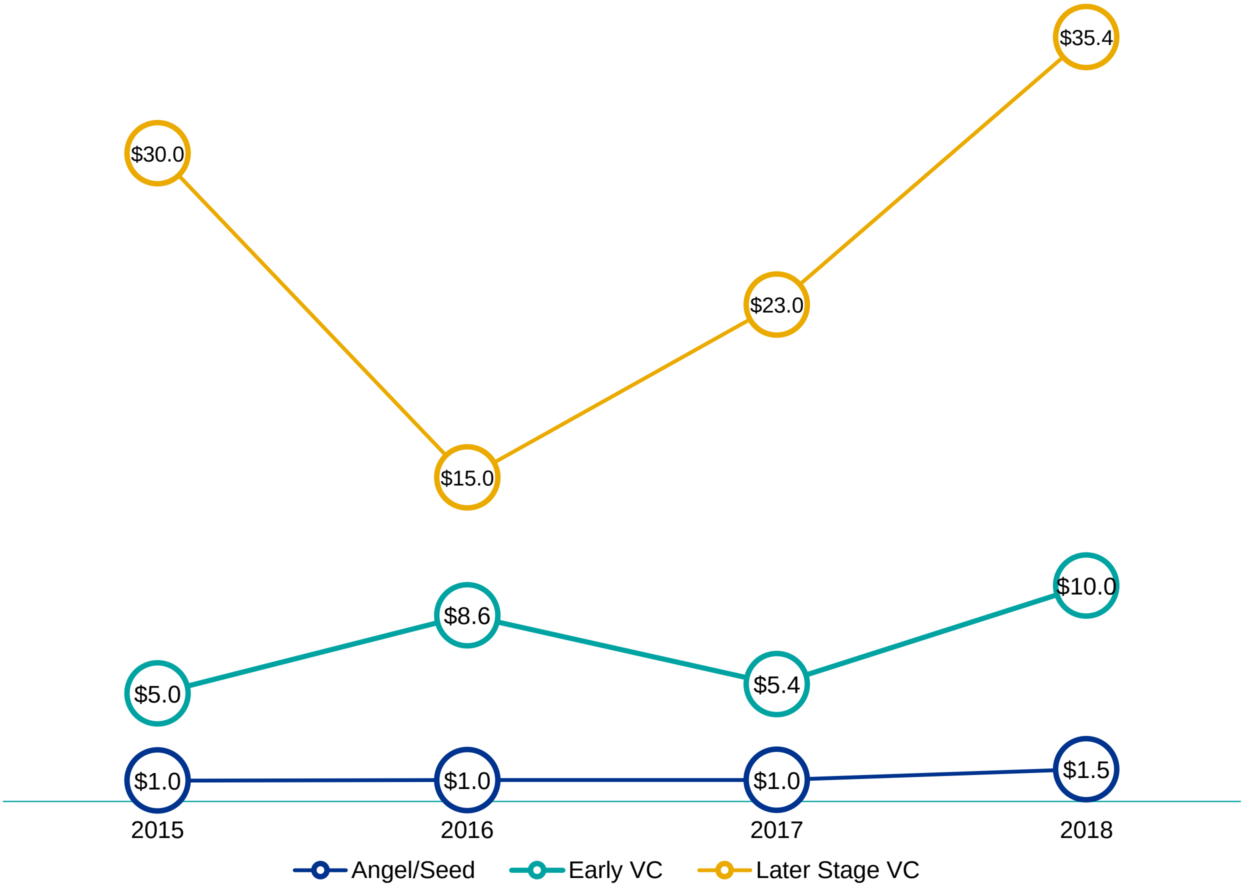
New highs across every stage

Median venture financing size ($M) by stage in fintech in Asia Pacific
2015–2018



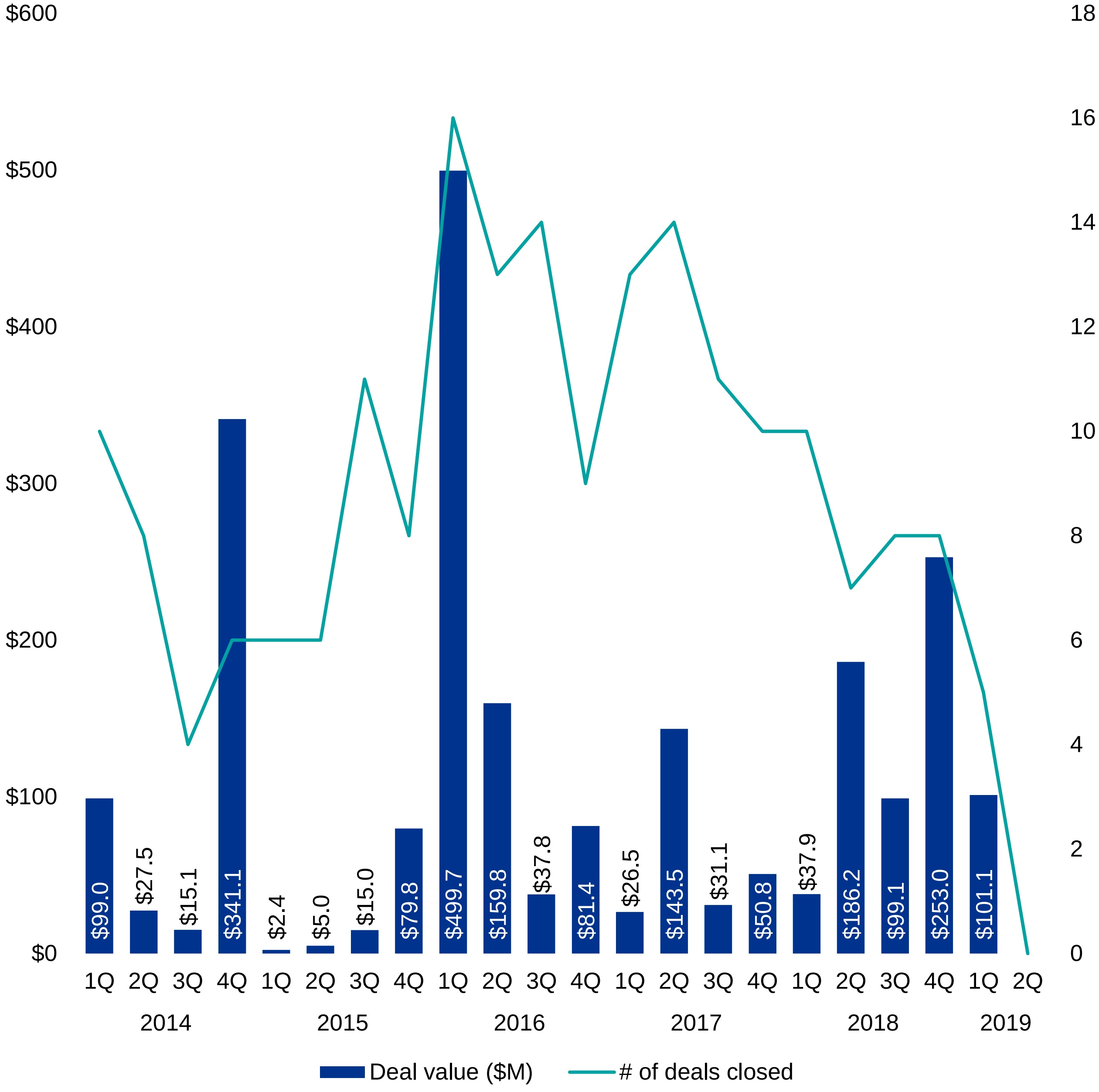
Source: Pulse of Fintech H1 2019, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) *as of June 30, 2019.

Gradual inflation for even median figures also likely took a toll on the rate of VC activity in the Asia-Pacific venture ecosystem in 2019 to date. Medians were not available for 2019 to date given a scarcity of sample sizes, far below even the normal level of 30 data points.

Fintech takes a breather in H1

Total investment activity (VC, PE and M&A) in fintech in Australia

2014–Q2'19



Source: Pulse of Fintech H1 2019, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) *as of June 30, 2019.

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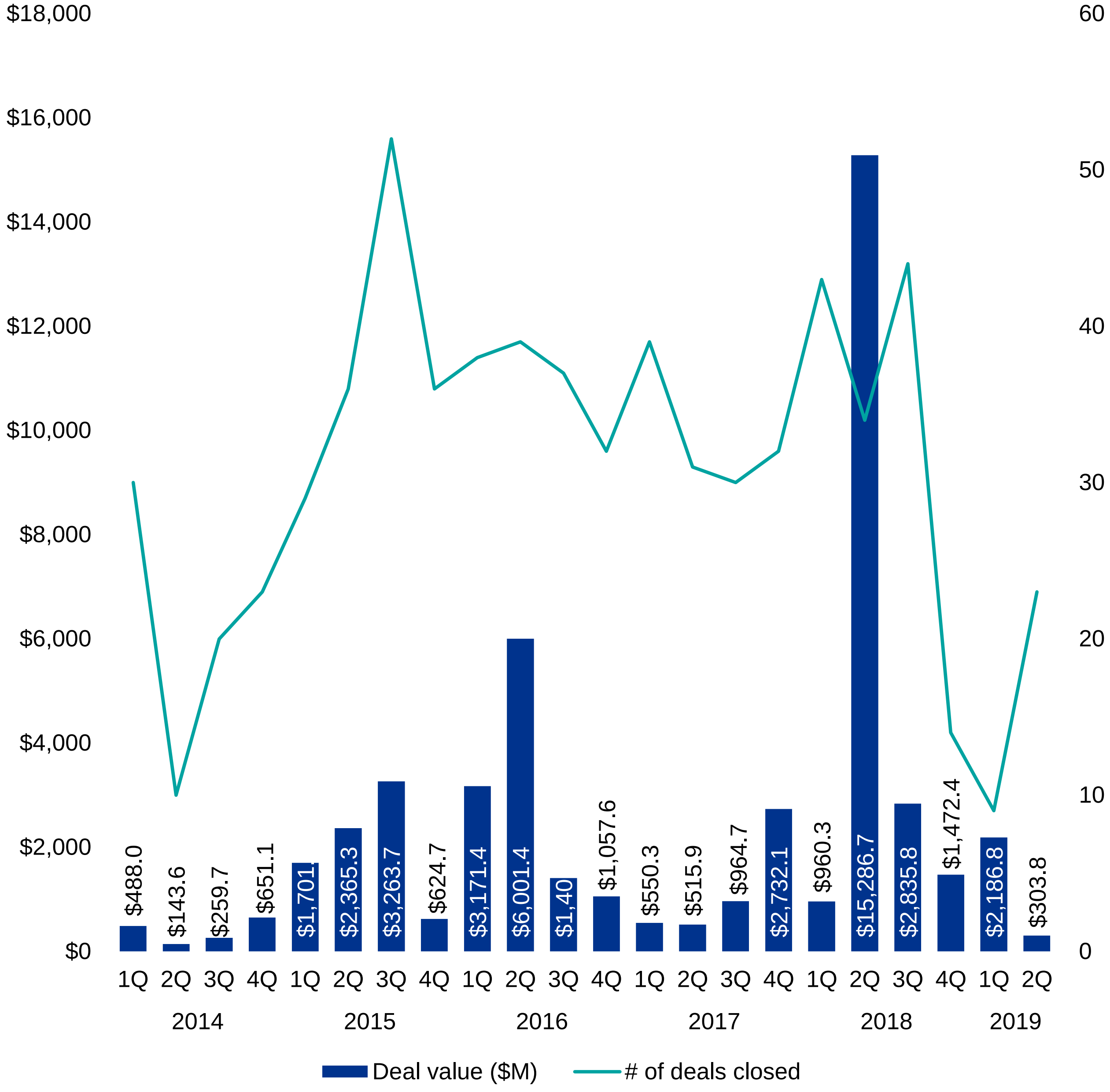
A promising resurgence

Total investment activity (VC, PE and M&A) in fintech in China

2014–Q2'19



Source: Pulse of Fintech H1 2019, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) *as of June 30, 2019.

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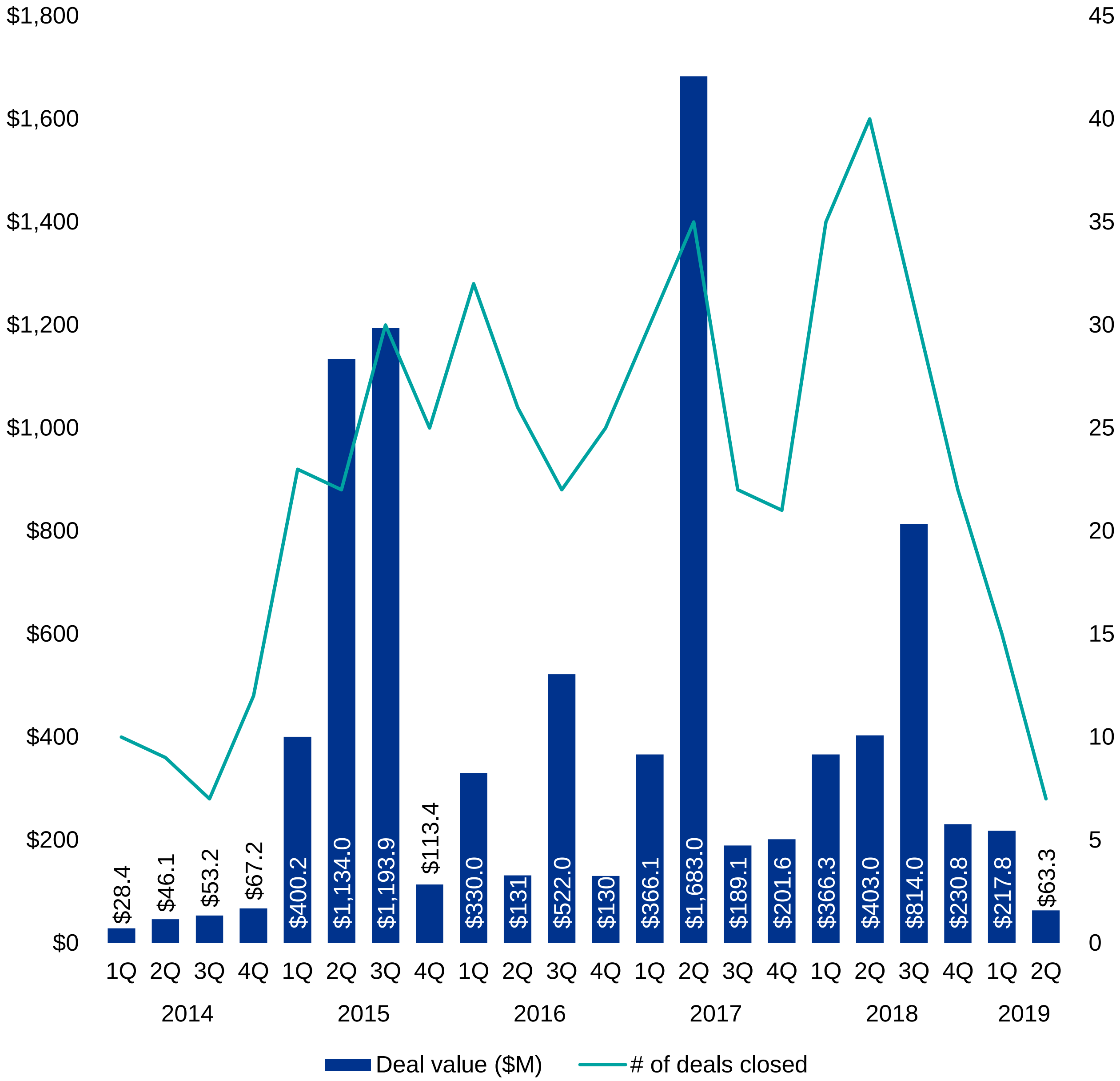
An off quarter

Total investment activity (VC, PE and M&A) in fintech in India

2014–Q2'19



Source: Pulse of Fintech H1 2019, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) *as of June 30, 2019.

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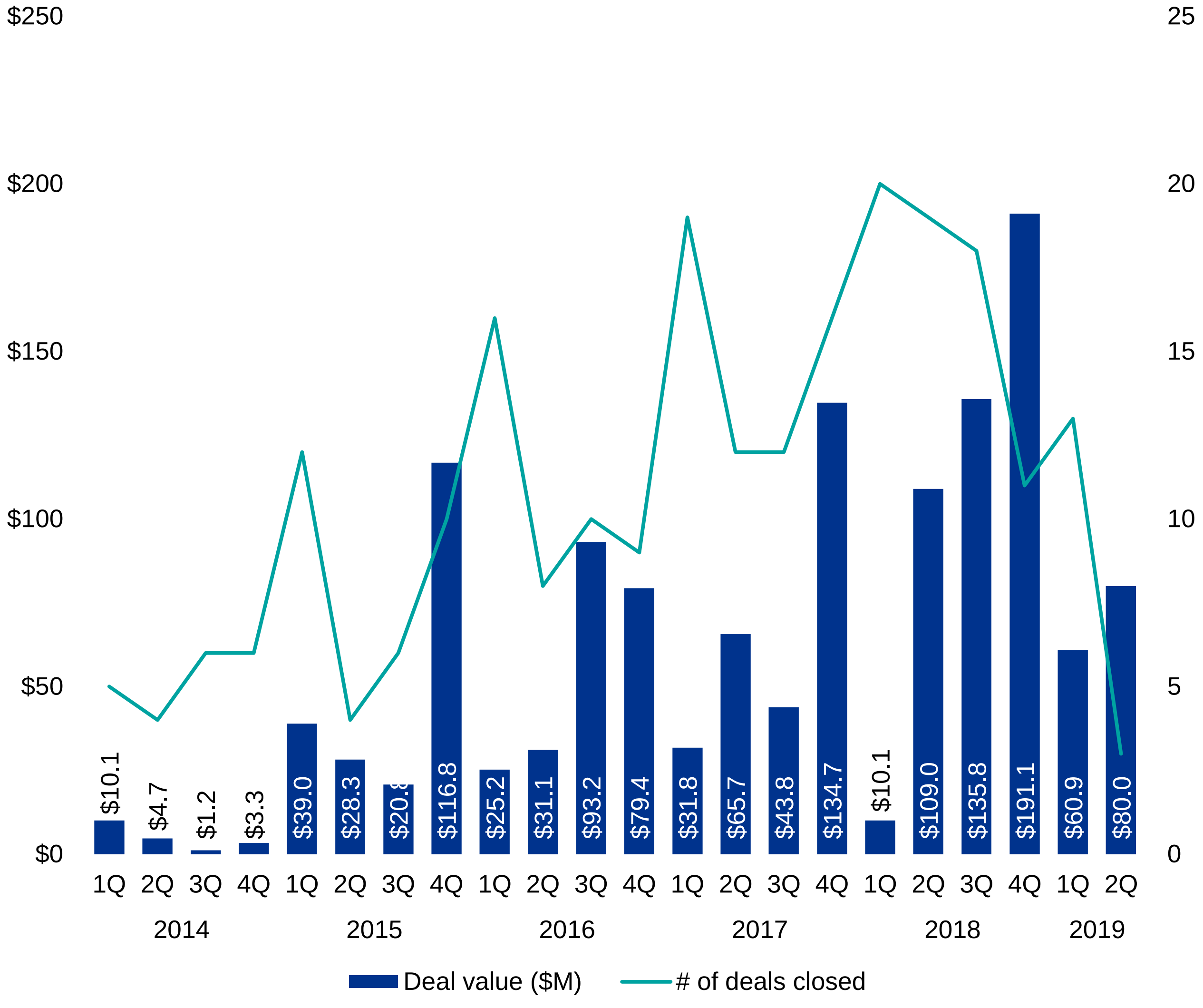
VC invested remains healthy

Total investment activity (VC, PE and M&A) in fintech in Singapore

2014–Q2'19



Source: Pulse of Fintech H1 2019, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) *as of June 30, 2019.

"Everyone is watching the retail banking space. They are watching how Singapore is going to offer banking licenses. And, if it is successful here, they will be watching other countries in Southeast Asia — like Malaysia and Vietnam — to see if they will go down the same route. With what has just happened in Hong Kong (SAR), China, there are a lot of expectations that if a jurisdiction makes licenses available, large players will come to the table."

Tek Yew Chia
Head of Financial Services Advisory
KPMG in Singapore

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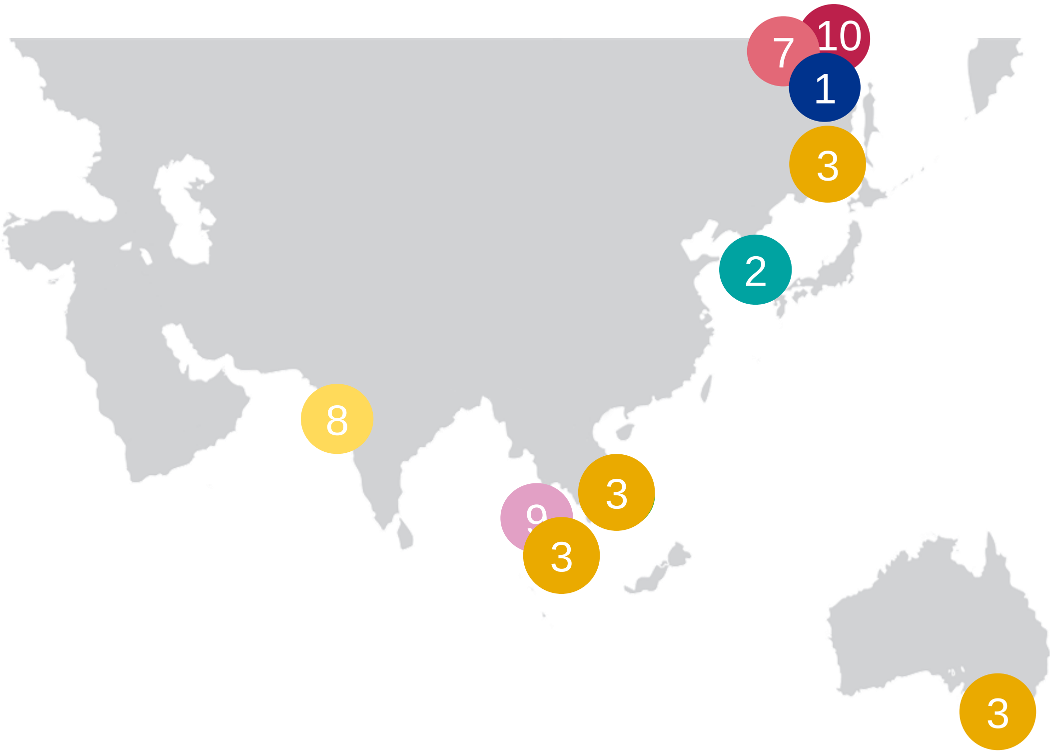
Top 10 fintech deals in Asia Pacific in H1 2019



1 **NCF Wealth Holdings** — $2B, Beijing, China
Lending
M&A

2 **Blockchain Exchange Alliance** — $200M, Seoul, South Korea
Cryptocurrency/blockchain
Series A

3 **Shanghai Dianrong Financial Information Services** — $100M, Shanghai, China
Information services
Series F

3 **Airwallex** — $100M, Melbourne, Australia
Payments/transactions
Series C

3 **Akulaku** — $100M, Jakarta, Indonesia
Personal finance
Series D

3 **Momo** — $100M, Ho Chi Minh City, Vietnam
Payments/transactions
Series C

7 **Wiseco Technology** — $94.8M, Beijing, China
Consumer finance
Series A

8 **BillDesk** — $85M, Mumbai, India
Payments/transactions
PE growth

9 **GoBear** — $80M, Singapore
Personal finance
Late-stage VC

10 **Shuidichou** — $74M, Beijing, China
Crowdfunding platform
Series B

Source: Pulse of Fintech H1 2019, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) *as of June 30, 2019.
Note: The deal value for NCF Wealth Holdings is based on an equity value estimate of $2 billion, at the time of data pull.

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KPMG Fintech global network (countries, regions and jurisdictions)

Contact us:

Ian Pollari
Global Co-Leader of Fintech,
KPMG International
E: ipollari@kpmg.com.au

Anton Ruddenklau
Global Co-Leader of Fintech,
KPMG International
E: anton.ruddenklau@kpmg.co.uk

About KPMG Fintech

The financial services industry is transforming with the emergence of innovative new products, channels and business models. This wave of change is primarily driven 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.

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John Armstrong, National Industry Leader, Financial Services, KPMG in Canada

Bia Bedri, Global Cyber Lead, Banking & Capital Markets, KPMG International and Partner, KPMG in the UK

Tek Yew Chia, Head of Financial Services Advisory and Partner, KPMG in Singapore

Elisha Deol, Global Insurtech Program Director, KPMG in the UK

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Laszlo Peter, Head of Blockchain Services, Asia Pacific, KPMG in Australia

Andy Pyle, Head of Real Estate, and Partner, KPMG in the UK

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Meital Raviv, Head of Fintech & Innovation, Financial Services, KPMG in Israel

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

Anna Scally, Fintech Lead and Partner, KPMG in Ireland

Louis Stark-Goddard, Cyber Security & Privacy Consultant, KPMG in the UK

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Chris Thoume, Senior Manager, Digital and Innovation, Financial Services, KPMG in the UK

Tracey Zhang, Financial Service Tax Lead Partner, KPMG China

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Methodology

Within this publication, only completed transactions regardless of type are tracked by PitchBook, with all deal values for general M&A transactions as well as venture rounds remaining un-estimated. Standalone datasets on private equity activity, however, have extrapolated deal values.

Please note that the MESA and Africa regions are NOT broken out in this report. Accordingly, if you add up the Americas, Asia Pacific and Europe regional totals, they will not match the global total, as the global total takes into account those other regions. Those specific regions were not highlighted in this report due to a paucity of datasets and verifiable trends.

Venture Deals

PitchBook includes equity investments into startup companies from an outside source. Investment does not necessarily have to be taken from an institutional investor. This can include investment from individual angel investors, angel groups, seed funds, venture capital firms, corporate venture firms, and corporate investors. Investments 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 investments 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: 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: 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.

Growth equity: Rounds must include at least one investor tagged as growth/expansion, while deal size must either be $15 million or more (although rounds of undisclosed size that meet all other criteria are included). In addition, the deal must be classified as growth/expansion or later-stage VC in the PitchBook Platform. If the financing is tagged as late-stage VC it is included regardless of industry. Also, if a company is tagged with any PitchBook vertical, excepting manufacturing and infrastructure, it is kept. Otherwise, the following industries are excluded from growth equity financing calculations: buildings and property, thrifts and mortgage finance, real estate investment trusts, and oil & gas equipment, utilities, exploration, production and refining. Lastly, the company in question must not have had an M&A event, buyout, or IPO completed prior to the round in question.

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

Corporate: Corporate rounds of funding for currently venture-backed startups that meet the criteria for other PitchBook venture financings are included in the Pulse of Fintech as of March 2018.

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Methodology (cont'd)

Exits

PitchBook includes the first majority liquidity event for holders of equity securities of venture-backed companies. This includes events where there is a public market for the shares (IPO) or the acquisition of majority of the equity by another entity (corporate or financial acquisition). This does not include secondary sales, further sales after the initial liquidity event, or bankruptcies. M&A value is based on reported or disclosed figures, with no estimation used to assess the value of transactions for which the actual deal size is unknown.

Fundraising

PitchBook defines venture capital funds as pools of capital raised for the purpose of investing in the equity of startup companies. In addition to funds raised by traditional venture capital firms, PitchBook also includes funds raised by any institution with the primary intent stated above. Funds identifying as growth-stage vehicles are classified as PE funds and are not included in this report. A fund's location is determined by the country in which the fund is domiciled, if that information is not explicitly known, the headquarters country of the fund's general partner is used. Only funds based in the United States that have held their final close are included in the fundraising numbers. The entirety of a fund's committed capital is attributed to the year of the final close of the fund. Interim close amounts are not recorded in the year of the interim close.

M&A

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% of the company must be acquired in the transaction. Minority stake transactions (less than a 50% stake) are not included. Small business transactions are not included in this report.

Fintech

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. Note: In this edition, two new segments were created: Wealthtech — derived from PitchBook industry codes consumer finance plus asset management and fintech — and proptech: fintech — a sub-segment of real estate technology and fintech combined.

1. Payments/Transactions — companies whose business model revolves around using technology to provide the transfer of value as a service and/or ANY company whose core business is predicated on distributed ledger (blockchain) technology AND/OR relating to any use case of cryptocurrency (e.g. Bitcoin).
2. Lending — Any non-bank who 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.
3. Investment Banking/Capital Markets — Companies whose primary business involves the types of financial intermediation historically performed by investment banks.
4. Insurtech — Companies whose primary business involves the novel use of technology in order to price, distribute, or offer insurance directly.
5. Wealth/Investment Management — Platforms whose primary business involves the offering of wealth management or investment 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.
6. Personal Finance — Companies that provide a technology-driven service to improve retail customers' finances by allowing them to monitor spending, savings, credit score or tax liability OR leveraging technology to offer basic retail banking services such as checking or savings accounts outside of a traditional brick and mortar bank.
7. Institutional/B2B Fintech — Companies that offer technology-driven solutions and services to enterprises or financial institutions. These include software to automate financial processes, well financial security (excluding blockchain), authentication as well as traditional and alternative data utilized by financial or other institutions and enterprises to make strategic decisions.
8. Regtech — Companies who provide a technology-driven service to facilitate and streamline compliance with regulations and reporting as well as protect from employee and customer fraud.

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