



## **Funding to VC-backed fintech startups halves in Q2: KPMG and CB Insights**

*KPMG and CB Insights release their latest quarterly fintech venture capital (VC) report, highlighting a drop in both deals and dollars during the second quarter of 2016.*

**SINGAPORE (August 17, 2016)** – Amid a tougher climate for marketplace lenders and a drop in mega-round activity, investment to VC-backed fintech startups fell 49% according to the *Pulse of Fintech*, the quarterly global report on fintech VC trends published jointly by KPMG International and CB Insights. Despite this decline, VC investment in fintech is on pace to exceed 2015 results.

According to the new report, overall global investment in fintech companies across both venture-backed and non-venture-backed companies totalled US\$9.4 billion in Q2'16, buoyed by Ant Financial's US\$4.5B financing. Q2'16 saw VC-backed fintech companies raise US\$2.5B across 195 deals, a 12% drop in deal volume compared to Q1'16.

"Despite VC backed funding to fintech decreasing in Q2, overall fintech funding remains on track to surpass 2015 levels", says Ian Pollari, Global Co-Leader of Fintech, KPMG International.

"Traditional financial institutions and banks of all sizes are realizing that the opportunities associated with fintech aren't about who has the deepest pockets – and so they're intensifying their innovation efforts."

Anand Sanwal, CEO of CB Insights, added: "The decline in fintech financing and deals is in line with what we're seeing in the broader venture environment for startups, as VCs as well as crossover investors are pushing back harder on profitability and business model concerns. Despite the funding drop, previously under-invested areas of fintech such as an insurance area are gaining strong momentum among venture investors across geographies."

### **The rise of InsurTech**

InsurTech is coming into its own as an area of fintech for venture capital investment, hitting US\$1B across 47 deals in the first half of 2016. Health insurance-related startups claimed the three largest deals of 2016 YTD, but startups across P&C (property & casualty) and life insurance are also seeing an increasing amount of investment.

"This quarter saw a ramp up in InsurTech activities in Singapore, especially through partnerships with specialist fintech startups. Many insurers are now seeing the value of an open collaboration model offered by the KPMG Digital Village, and are looking at ways to work with startups in order to rapidly embrace digital technology in the form of Internet of Things, predictive analytics and smart contracts", said Chia Tek Yew, Head of Financial Services Advisory, KPMG in Singapore.

### **Banks continue to stay active in fintech investing**

Over the last five quarters, Goldman Sachs, Citigroup and Banco Santander or their venture arms (excludes independent VC firms associated with these banks) have invested in 25 VC-backed fintech companies. Other banks making investments globally across the fintech landscape include HSBC, JPMorgan Chase, and Mitsubishi UFJ Financial Group.

## **Key highlights from the Pulse of Fintech:**

- Q2'16 saw mega-round activity fall to a five-quarter low. Europe had zero venture capital-backed US\$50M+ fintech funding rounds, while North America saw US\$50M+ fintech funding rounds fall to 5 rounds from 13 in the same quarter last year.
- Despite a large funding drop in Q2'16, funding and deal activity to VC-backed fintech companies in the first six months of 2016 are on pace to hit US\$14.8B across more than 820 deals by the end of 2016 at the current run rate, both of which would register as record highs.
- The 30 largest fintech funding rounds during the first half of 2016 totalled over US\$4.6B in aggregate funding. North America accounted for 19 of these rounds, while Asia accounted for 8 rounds.
- Corporate investors participated in nearly 1 of every 3 deals to VC-backed fintech companies in Q2'16, compared to just 23% in Q2'15.

### **Asia fintech deals hit five-quarter high; funding returns to earth**

Asia saw VC-backed fintech companies raise US\$0.8B across 46 deals in Q2'16 – a funding decline of 71% from Q1'16 primarily due to the lack of major mega-rounds. Q1'16 included two US\$1B+ mega-rounds in China. Deal activity to VC-backed fintech companies in Asia reached a 5-quarter high in Q2'16 with 46 deals recorded.

“Since the establishment of KPMG’s Digital Village in Singapore, we have seen more interest from corporates around Asia looking to invest in fintech related startups”, said Chia. He added: “The establishment of a Fintech Bridge between Singapore and UK also signals a recognition of the need for global market access. For the Financial sector, UK represents the gateway to Europe and Singapore a gateway to ASEAN. “When successfully linked, fintech companies outside of the US and China will now have the opportunity to achieve real scale.”

### **Europe fintech funding rises slightly**

Europe saw VC-backed fintech funding lift to a three-quarter high in Q2'16, rising 22% on a quarter-over-quarter basis to hit US\$369M across 43 deals. As the UK continues to deal with the ramifications of Brexit, Q2'16 saw Germany outpace the UK for VC-backed fintech funding by 80%.

### **North America sees fintech funding, deals dip in Q2'16**

North America saw both fintech funding and deals fall on a quarter-over-quarter basis, as VC-backed startups raised US\$1.3B across 97 deals, a drop of 25% in the number of deals compared to Q1'16.

Q2'16 funding to VC-backed fintech companies in North America fell 28% on a quarter-over-quarter basis and 48% compared to the same quarter last year.

**## END ##**

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*Note to editors*

### **About The Pulse of Fintech**

The Pulse of Fintech is a quarterly report created by KPMG Enterprise and KPMG Fintech along with CB Insights (the 'go to' name for insights related to venture capital investment). The series analyses the latest global trends in venture capital investment data on the fintech sector.

### **About KPMG in Singapore**

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CB Insights, backed by Pilot Growth Equity and the National Science Foundation, is a software-as-a-service company that uses data science, machine learning, and predictive analytics to help our customers predict what's next—their next investment, the next market they should attack, the next move of their competitor, their next customer, or the next company they should acquire. The world's leading global corporations including the likes of Cisco, Salesforce, Castrol, and Gartner as well as top tier VCs including NEA, Upfront Ventures, RRE, and FirstMark Capital rely on CB Insights to make decisions based on data, not decibels.

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