

Singapore, 27 April 2017

Global fintech market sees quiet Q1'17 as M&A slows, VC funding holds steady: KPMG Pulse of Fintech Report

Funding to Asia fintechs declines but corporate participation reaches new high.

Global fintech investment got off to a soft start in Q1'17, with the total invested globally at US\$3.2 billion, down from US\$4.15 billion in Q4'16 according to the Q1'17 edition of *The Pulse of Fintech* – KPMG International's quarterly report on fintech investment.

Fintech M&A dropped in Q1'17, with US\$920 million in deal volume – down from US\$1.8 billion in the previous quarter, and less than half of the US\$4 billion in funding in Q1'16. Venture capital funding to fintechs held relatively steady at US\$2.3 billion in Q1'17 – a solid result although well below peak highs.*

In Europe, US\$100 million+ megarounds by iZettle, Atom Bank and Funding Circle helped drive investment, leading to a record quarterly high of venture capital investment in fintech at US\$610 million across 67 deals. Europe's results remained behind the Americas, which saw US\$1.3 billion in VC funding, of which US\$1.2 billion came from the US.

Asia fell to the back of the pack, with just US\$406 million in venture capital funding raised. Asia's lacklustre results reflected a lack of megadeals of previous quarters in the region.

Funding to Asia fintechs declines but corporate participation reaches new high

Total fintech funding in Asia dropped in Q1'17 to US\$492 million invested across 33 deals, reflecting a major drop off of investment in China in addition to a dearth of US\$100m+ megarounds. Venture capital funding dropped from US\$690 million in Q4'16 to just US\$406 million in Q1'17. Corporates remained more resilient, with participation in Asia-based fintech deals climbing to over 30 percent.

Fintech sector gaining traction in Singapore

Q1'17 was a slow quarter for fintech investment in Singapore, with a total of 4 deals at US\$14.3 million. Although marked considerably by outliers, the Singapore fintech scene still enjoys hefty comparative advantages within the region as a whole, ranging from regulatory aspects to geographic positioning and talent access.

"The MAS is aggressively promoting and marketing Singapore as a fintech hub for the Asia market – working with startups and global corporates to develop and fund fintech activities, and with numerous international regulators to bridge regulatory barriers. It's quite evident that the MAS wants Singapore to be a no-brainer location decision," said Mr **Chia Tek Yew**, Head of Financial Services Advisory, KPMG in Singapore.

Over the next few quarters, AI is expected to gain traction in Singapore, particularly on the digital labour front due to the country's small size. Machine learning, compliance, financial inclusion and robo-advisory are also expected to attract more attention.

Key Q1'17 highlights

- Global fintech investment decreased from US\$4.2 billion in Q4'16 to US\$3.2 billion in Q4'17.
- VC funding remained solid with US\$2.3 billion invested across 203 deals.
- Global median VC deal size for late stage deals dropped substantially in Q1'17 – to US\$10 million compared to the 2016 average of US\$15 million.
- Corporate VC investment remained high, with US\$1.2 billion in deals funding during Q1'17, although participation by corporates dropped slightly to 19.3 percent compared to a high of 20.5 percent in Q4'16.
- Investment in regtech continued its growth trajectory with US\$219 million across 26 deals in Q1'17.
- Q1'17 insurtech activity remained on par with 2016 averages at 46 deals and US\$243 invested.

Increasing breadth of fintech applications

"Payments and lending continue to attract the most funding globally, although we're seeing increasing interest in a variety of technologies," said Brian Hughes, Co-Leader, KPMG Enterprise Innovative Startups Network, and National Co-Lead Partner, KPMG Venture Capital Practice, KPMG in the US. "In addition to continued growth in regtech and insurtech, new areas such as artificial intelligence, machine learning and Internet of Things are gaining increasing investor attention."

Fintech activity increasing outside China

China and India have attracted the majority of fintech funding historically, although Hong Kong and Singapore have also developed strong fintech ecosystems. Q1'17, however, showcased the breadth of fintech activity happening across Asia, as China and India only accounted for four of the top ten deals this quarter. Japan, often considered a fintech laggard, picked up steam this quarter with three early-stage deals among the top ten, while deals in Korea, Singapore and Australia rounded out the list. Prospa's AUD\$25 million raise was one of the largest ever VC investments in an Australian fintech.

Trends to watch for in Asia

Heading into Q2'17, AI and blockchain are expected to remain big bets for fintech investors in Asia, in addition to payments, open data and data analytics. Interest in regtech and insurtech is also projected to increase over the remainder of 2017.

**Data for the Pulse of Fintech report provided by PitchBook.*

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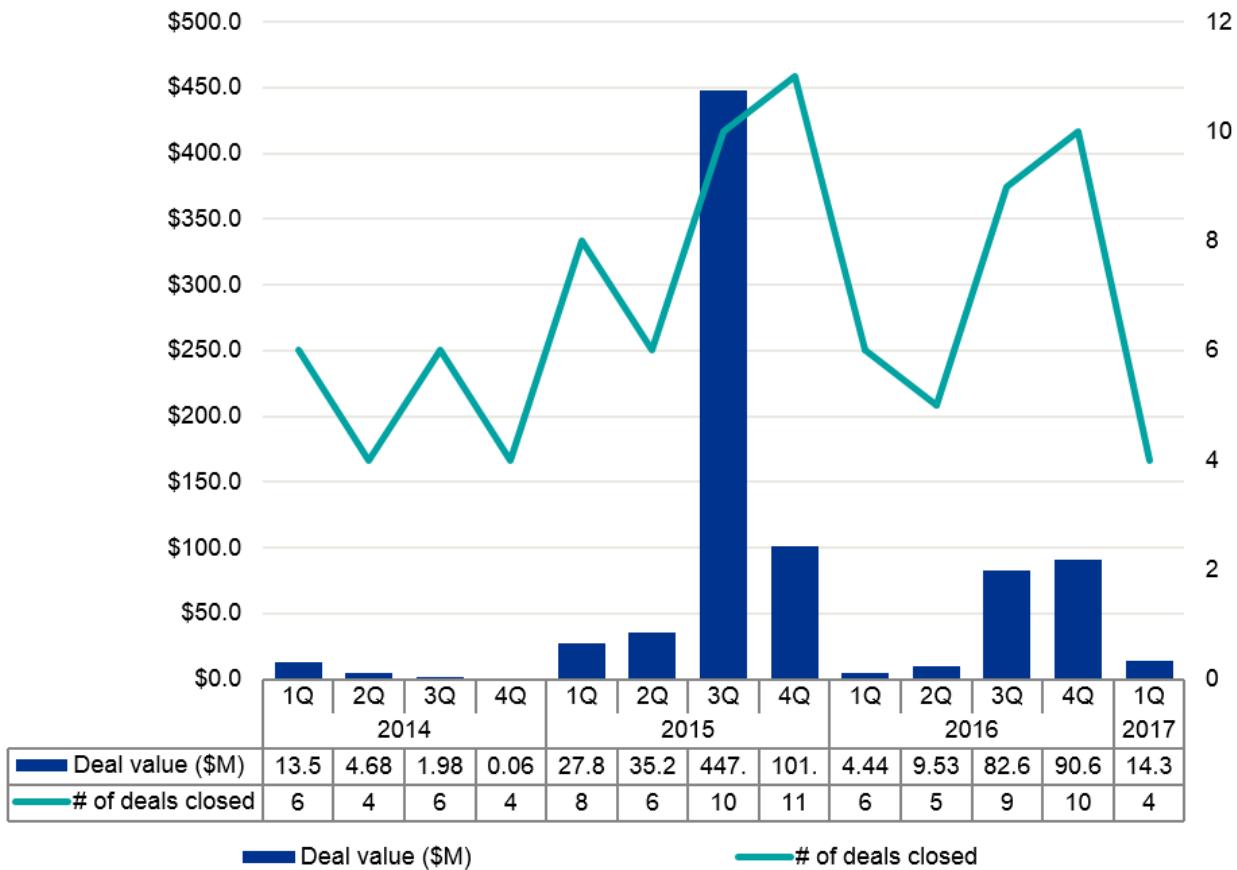
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Appendix

Fintech VC, PE and M&A activity in Singapore

2014 - Q1'17



Source: Pulse of Fintech Q1'17, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) April 27, 2017

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About KPMG Fintech

The financial services sector is transforming with the emergence of innovative products and solutions. This wave of innovation is primarily driven by changing customer expectations and continued regulatory and cost pressures. KPMG professionals are passionate about supporting clients to successfully navigate this transformation, working directly with emerging fintechs through 26 global fintech hubs. KPMG professionals also bring their global fintech insight to financial institutions, helping them fully realise the potential fintech has to grow their business, meet customer demands, and help them stay relevant and competitive.

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