



Global Fintech investment soars to record US\$57B in first half of 2018: KPMG Pulse of Fintech report

- Investment in Asia hit \$16.8B across 162 deals in H1'2018, with China and India dominating the top 10 deals
- ASEAN emerging as target for fintech growth and global expansion
- Singapore paves the way for the development of a regional fintech innovation sandbox in ASEAN; regtech and insurtech investment gain more traction

Singapore, 2 August 2018 -- Global fintech investment roared ahead at a record pace in the first half of 2018, with US\$57.9B invested across 875 deals, a significant increase from the US\$38.1B invested in all of 2017, according to the KPMG Pulse of Fintech report.

Highlights of the first half included the successful closing of two massive deals: the record-setting US\$14B raise by Ant Financial in Q2'18 and Vantiv's acquisition of WorldPay for US\$12.9B in Q1'18.

Overall deal volume was robust, rising from 834 in H2'17 to 875 deals in H1'18. Further, global median size of late-stage venture financings rocketed to US\$25M during H1'18, up from the US\$14M annual median size seen in 2017. Early stage deal size jumped as well, from a median of US\$5.0M in 2017 to US\$9.2M at the mid-point of 2018.

"Large deals at all stages of investment powered fintech investment in the first half of 2018," said Ian Pollari, Global Co-Lead, KPMG Fintech. "But just as notable is the breadth of investment. We're seeing a mix of fintech sub-sectors drawing increasing interest, including data, AI and regtech — these horizontal capabilities have appeal across the full spectrum of the financial services industry."

Venture capitalists remain excited about funding fintech start-ups across a wide range of fintech subsectors, but M&A activity is also growing as more mature fintechs seek exits. Current M&A activity has easily matched the most active M&A periods seen to date.

"In ASEAN, we are starting to see phase two of the fintech revolution with bigger Chinese fintechs setting their sights on countries in the region as the next step in their growth agenda," said Chia Tek Yew, Head of Financial Services Advisory, KPMG in Singapore. "With a large population, relatively similar macroeconomics to China, large underbanked populations and a significant number of Chinese people overseas, the region is seen as a strong stepping stone to further global expansion. For Singapore, not only is more investment flowing into regtech and insurtech, the country is paving the way for ASEAN in the development of a regional fintech innovation sandbox, and seeing stronger regulator support that allows for greater financial inclusion."

H1'18 key highlights

- Global fintech investment (PE, VC and M&A) more than doubled – from US\$22B in the second half of 2017 to a new high of US\$57.9B in H1'18, buoyed by nine US\$1B+ megadeals.
- Europe's top four fintech deals accounted for US\$22.4B in investment, including the US\$12.9B

acquisition of WorldPay by UK-based Vantiv.

- In H1'18, investment in fintech companies in Asia hit US\$16.8B across 162 deals, an increase from 119 deals in H2'17.
- Fintech VC volume has remained relatively steady since the start of 2015 – rising slightly to 653 deals in H1'18.
- Median late stage VC deal size within the fintech sector rose dramatically - from US\$14M in 2017 to US\$25M in H1'18.

US-based fintechs see surge in VC funding, surpassing US\$5B in H1'18

In H1'18, US fintech companies attracted US\$14.2B in investment, including over US\$5B in VC investment. VC deal volume continued its upward trend, moving from 276 deals in H2'17 to 328 deals in H1'18, driven in large part by resurgent angel, seed and early stage VC deals. Investors were quick to invest in new startups in emerging fintech sub-segments, including regtech and investment banking, while continuing to pour money into mature, late-stage companies such as Robinhood – whose US\$363M was one of the largest VC deals in the first half of 2018.

Top four deals in Europe total US\$22.B

Total investment in fintech companies in Europe hit US\$26B across 198 deals in H1'18, fueled by substantial deals by WorldPay, Nets, iZettle and IRIS software – which together accounted for US\$22.4B of the European total. However, while deal value achieved a new peak in Europe, deal volume declined, falling from 268 in H2'17 to 198 in H1'18.

The UK led the way in European fintech investment, with US\$16.1B and five of the top 10 deals in the region, despite possible concerns around Brexit negotiations. Scandinavia's growing fintech ecosystem was also well represented, with the buyouts of Nets (Denmark), iZettle (Sweden) and Nordax Group (Sweden) among the top ten deals in H1'18.

Asian fintech reaches US\$16.8B – on strength of Ant Financial deal

After a solid US\$2B in H2'17, total fintech funding in Asia surged to US\$16.8B across 162 deals in H1'18 powered by a massive US\$14B Series C VC funding round by Ant Financial. Excluding this mega-deal, Asia still saw strong fintech investment, including quarter-over-quarter increases in overall fintech investment in India, Australia, and Singapore.

Following a global trend, median fintech VC late stage deal size in Asia increased significantly during the first half of the year – rising from US\$25M to US\$37.7M – the highest of any region. Blockchain and AI continued to be key priority areas for fintech investors in Asia, in addition to insurtech and regtech.

Payments and regtech subsectors shine

As one of the most mature sub-sectors of fintech, payments witnessed a number of large exits in H1'18, including successful IPOs by EVO Payments and GreenSky, Paypal's US\$2.2B acquisition of iZettle and Vantiv's acquisition of WorldPay in the UK. The regtech sector also got off to a hot start in H1'18, with US\$1.37B invested, already surpassing the 2017 total.

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Blockchain moving beyond experimentation

Blockchain continued to draw a significant amount of attention from investors in H1'18, with investment typically focused on more experienced companies and consortia looking to obtain additional rounds rather than on new market entrants. Large rounds in blockchain companies were seen during the first half of 2018, including US\$100M+ rounds to R3 and Circle Internet Finance in the US, and US\$77M to Ledger in France.

Strong outlook expected for fintech investment

With a significant amount of capital waiting to be deployed, a growing diversity of fintechs hubs across the globe, and more and more corporates looking to leverage fintech in order to drive innovation, investment in fintech is expected to remain strong heading into the second half of 2018.

Like many countries in ASEAN, Singapore is fast emerging as a global fintech hub and is itself, a microcosm of many systems spanning finance, technology and consumer demands. Riding into the second half of the year, Singapore fintechs will continue to see 2018 as a year of execution and a year of regional expansion beyond local shores as they accelerate their growth momentum.

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Note to editors

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In the ASEAN region, KPMG member firms operate across all 10 countries. Our industry focus helps KPMG firms' professionals develop a rich understanding of clients' businesses and the insight, skills and resources required to address industry-specific issues and opportunities.

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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 driven by evolving customer expectations, digitalization, as well as continued regulatory and cost pressures. We are passionate about supporting clients to successfully navigate this transformation, mitigating the threats and capitalizing on the opportunities. KPMG Global Fintech comprises professionals in over 45 fintech hubs around the world, working closely with financial institutions and fintech companies, to help

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them understand the signals of change, identify the growth opportunities and to develop and execute on their strategic plans.

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