Pulse of Fintech H2'22

Global analysis of fintech investment

February 2023

kpmg.com/fintechpulse

Welcome message

2022 was a challenging year for fintech investment globally — with the Americas in particular seeing a $40 billion drop in investment compared to 2021's high. The decline in deal value doesn't tell the full story, however. Deal volume was incredibly robust this year: the second highest total next to 2021. Seed deals saw record investment, which bodes well for the long-term fintech pipeline. At a sector level, regtech investment soared to a new high, while geographically, the Asia-Pacific region also hit a new peak — if by a much narrower margin.

The diversity of jurisdictions attracting significant fintech deals was also very strong. In H2'22 alone, 24 different countries attracted $100 million+ fintech deals (VC, PE, M&A) — ranging from traditional hubs like the US, UK, Singapore and Hong Kong (SAR) to less mature fintech hubs like South Korea, Luxemburg, Italy, Malaysia and the UAE. This diversity reflects the myriad value propositions offered by fintech around the world, from enabling innovation at financial institutions to supporting small business growth and improving financial inclusion and access to financial products.

Looking across 2022 as a whole, there's no doubt that the fintech market globally saw both highs and lows. Consider some of the key trends we've seen:

- Surging investment in regtech as companies look to technology to help them manage their increasingly complex regulatory compliance obligations
- Rapidly cooling investment in cryptocurrencies and crypto exchanges between H1'22 and H2'22, with more challenges expected on the horizon
- Strengthening partnerships between fintechs and incumbent financial institutions, including banks, insurance companies and wealth management firms
- Decreasing number of large deals in H2'22 compared to 2021 and H1'22 as investors waited for valuations to stabilize.

With the word *recession* being used more and more, the IPO window still closed and the valuations of late-stage companies still under pressure, there could be a bumpy road ahead as we enter 2023. But there continues to be money in the fintech market globally. Fintechs that have strong value propositions and that can really show the viability and sustained profitability of their business models will likely continue to attract attention — particularly in sectors like regtech and cybersecurity.

Longer term, we believe the outlook for fintech investment remains quite positive given the ongoing transformation of financial services around the world and the strengthening focus on embedding financial services into other sectors.

Whether you're the CEO of a large financial institution or the founder of an emerging fintech, focusing on getting the most from every dollar you invest can help you forge a strong path forward. As you read this edition of Pulse of Fintech, ask yourself: **What do we need to do to become more resilient as an organization and how can we use our strengths to create unique value for our customers, clients and investors?**

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

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

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Contents

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Global fintech investments in 2022 recorded $164.1B with 6,006 deals

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Global insights

Global fintech investment falls to $164.1 billion following record 2021

Third best year of fintech investment despite large drop from 2021 high

Following 2021's record high level of total global fintech investment ($238.9 billion) and deal volume (7,321), 2022 saw both total investment and deal volume fall — to $164.1 billion and 6,006, respectively. While low by comparison, it was the third best year for fintech investment ever and the second best year for deal volume.

Fintech investment drops by more than 50 percent in H2'22 compared to H1'22

Global fintech investment in H2'22 was $44.9 billion compared to the $119.2 billion seen in the first half of the year. The more than 50% decline highlights the impact of the sharp drop-off in large deals. H1'22 saw eight M&A deals greater than $1 billion — including the $27.9 billion acquisition of Australia-based Afterpay, two VC raises (Germany-based Trade Republic, UK-based Checkout.com) and one PE deal (US-based Genesis Digital Assets) globally. H2'22 saw just four M&A deals over the same amount — the largest being the $8.4 billion buyout of US-based Avalara. The largest VC raise of H2'22 was the $800 million raise by Sweden-based Klarna — which took a large cut to its valuation, while the largest PE deal was a $250 million raise by US-based Avant.

Fintech investment inches to new high in Asia, while declining in the Americas and Europe

On a regional basis, the Americas continued to account for the largest share of fintech investment globally, attracting $68.6 billion across 2,786 deals in 2022 — of which the US accounted for $61.6 billion across 2,222 deals. Comparatively, the Asia-Pacific region saw $50.5 billion in fintech investment across 1,227 deals, while the EMEA region attracted $44.9 billion across 1,977 deals. While both the Americas and Europe saw fintech investment decline, the Asia-Pacific region slightly surpassed 2021's peak high on the back of Afterpay acquisition.

Investors prioritize profitability and cash flow as macroeconomic factors erode and valuations decline

At mid-year, investment in the fintech sector globally had only just begun to feel the impact of geopolitical uncertainty, rising interest rates and inflation, the downward pressure on valuations, and IPO market drying up. In H2'22, fintech investment generally followed general tech investment trends, with investors pulling back on many large and late-stage deals and taking more time to conduct deals. As the IPO market dried up almost completely, reducing the opportunity for exits considerably, fintech investors globally also enhanced their focus on the cash flow and profitability of their existing portfolio companies.

> "While global fintech investment dropped in 2022 — particularly in the second half of the year as large M&A transactions dried up — it can't be characterized as a bad year by any means. Total investment was still the third highest ever, while the number of fintech deals came second only to 2021's record high. 2022 was a particularly excellent year for regtech, with investment growing quite significantly year-over-year."

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

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Global insights

Regtech bucks downward trend, attracts record $18.6 billion in investment

The regtech space was a bright light of fintech investment in 2022, attracting a new high of $18.6 billion in investment — well above the previous record of $12.1 billion seen in 2021. Regtech attracted two of the three largest fintech deals of H2’22, including Vista Equity Partners’ buyout of Avalara ($8.4 billion) and the buyout of Computer Services Inc by Centerbridge Partners and Bridgeport Partners for $1.6 billion. Given the complex regulatory environment for financial services globally and the growing focus on profitability and cost-cutting, regtech investment is expected to keep growing as companies look to technology to streamline and improve their compliance activities.

Investors upping the ante on due diligence in wake of crypto sector challenges

Crypto sector investments globally plunged significantly in H2’22 following the Terra (Luna) crash in May. Given the FTX bankruptcy in November, it is likely that investment in crypto-focused firms will remain very slow into H1’23 as many investors work to review and significantly enhance their due diligence and governance processes related to investments in the crypto space. There could also be a shift in investment to jurisdictions with stronger regulatory frameworks for crypto activities.

Trends to watch for in H1’23

- Regtech continuing to gain steam in the eyes of investors
- Increasing investment focusing on fintech solutions that align with ESG and climate change priorities and targets
- Seed and early-stage companies continuing to draw attention, investment, and larger deal sizes IPO and M&A activity remaining soft well into H1’23 as valuations continue to face downward pressure
- Blockchain solutions outside of the crypto space gaining increasing attention from investors
- Growing focus and investment in the B2B and embedded solutions space, including embedded finance, embedded payments and embedded insurance.

“Globally, interest in fintech remained quite robust in many regions of the world during 2022, despite the drop in deal value associated with investors pulling back from later stage deals given macroeconomic factors and concerns about valuations. On the positive side, we saw surging interest in seed and early-stage deals — which bodes well for the fintech ecosystem and deals pipeline long-term. While fintech investment is likely to remain soft in the first half of the year, there’s little doubt that investors remain optimistic about many of the subsectors of fintech.”

Judd Caplain
Global Head of Financial Services
KPMG International

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Global insights — Top fintech trends for H1'23

The second half of 2022 was particularly challenging for the fintech sector globally amidst a combination of challenging economic conditions like high inflation and interest rates and specific market challenges like the lack of IPOs and exit opportunities, continued downward pressure on valuations and margin pressures for companies in areas like buy now, pay later. With little sign that the challenging market conditions will begin to alleviate as we head into H1'23, fintech investment is expected to remain relatively subdued, even compared to H2'22 — although a number of fintech subsectors are expected to be more resilient than others. Here are our top predictions for fintech in H1'23:

1. M&A deal sizes will be relatively smaller: With valuations expected to remain relatively unstable in H1'23, the likelihood of mega-M&A transactions — $10 billion+ in deal value — will be relatively low. M&A activity in general could increase as valuations stabilize and corporates or large fintechs with deep pockets look for the opportunity to pick up companies at good prices.

2. B2B solutions will continue to attract solid investment: With many companies, both with the financial services sector and beyond, focusing on cutting costs and driving more customer value, B2B solutions will remain a key priority for investment.

3. Interest in non-crypto blockchain-based solutions will grow: As investors pull back to re-evaluate their approaches to making investments in crypto, other areas of blockchain innovation will see growing interest — such as cross-border payments solutions, gaming and NFTs.

4. AI-driven fintech solutions will gain more attention from investors: There will be growing interest in AI-driven fintech solutions, particularly in areas like AI-based data analytics, real-time risk assessment, and customer engagement.

5. Regulators will put more scrutiny on the crypto space: Given events of 2022, regulators around the world will likely put more scrutiny on companies and activities in the crypto space.

6. ESG-focused fintechs will see growth: With climate change a major priority for governments, businesses and consumers, interest and investment in fintech solutions aligned to ESG will likely grow considerably. Investments could be quite diverse, from financing platforms for renewable energy projects to ESG-focused regtech solutions.

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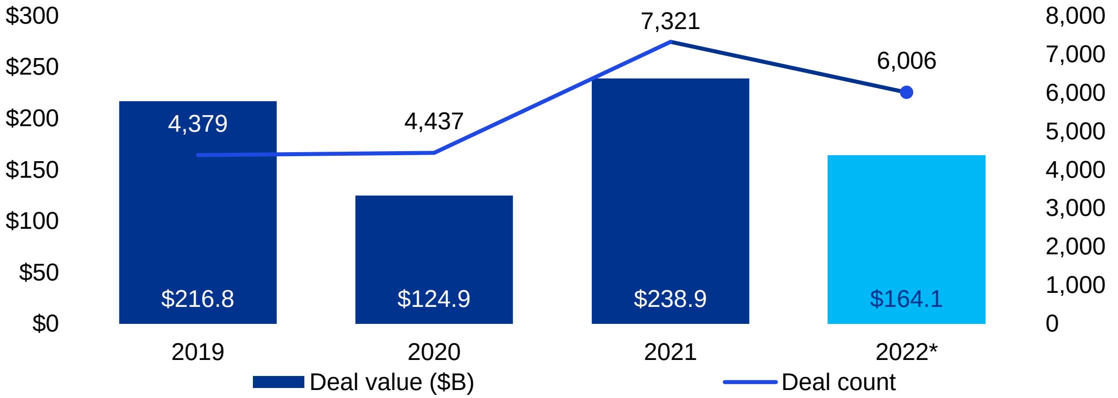
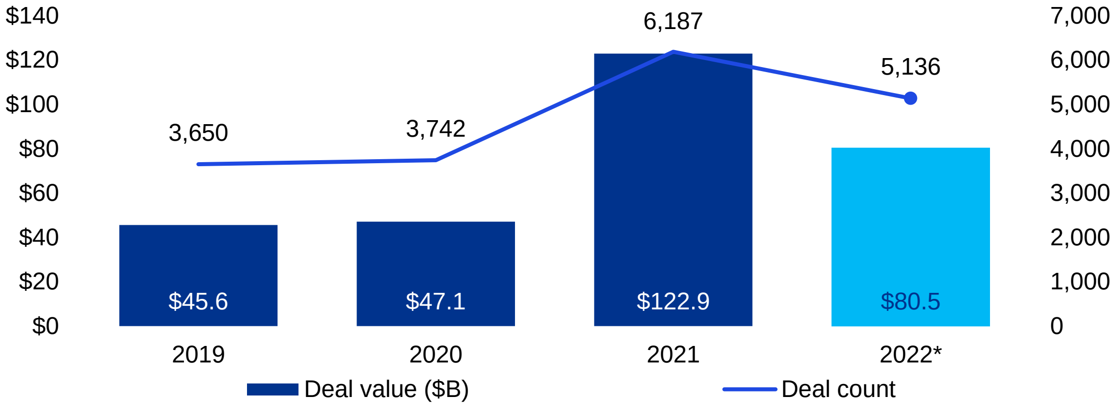
Global insights

After significant bouts of volatility, dealmaking is subdued

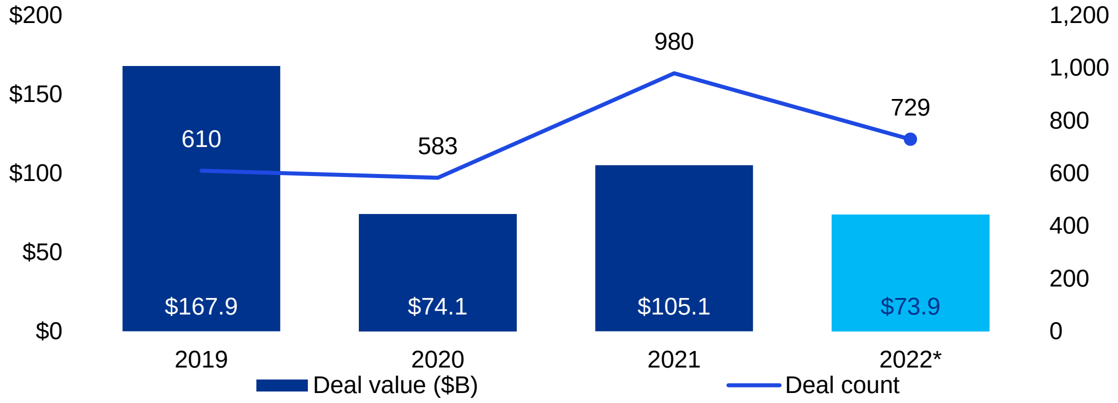
Total global investment activity (VC, PE and M&A) in fintech
2019–2022*



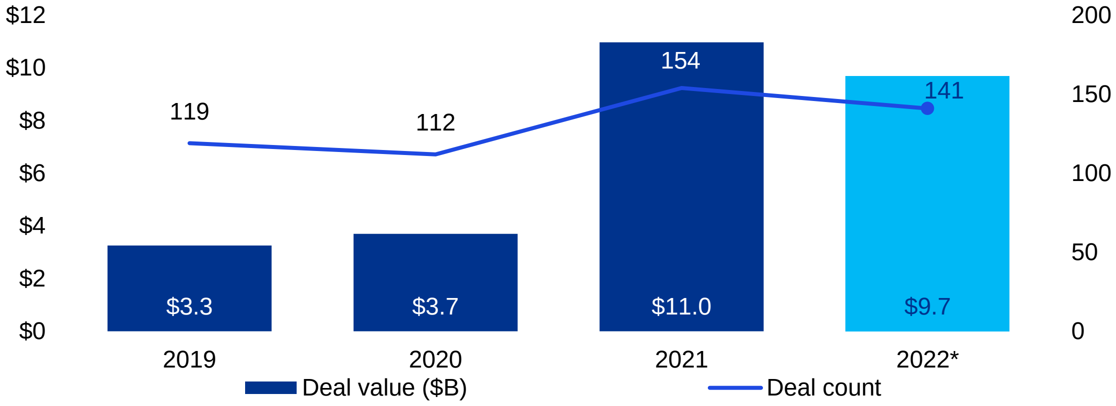
Global venture activity in fintech
2019–2022*



Global M&A activity in fintech
2019–2022*



Global PE growth activity in fintech
2019–2022*



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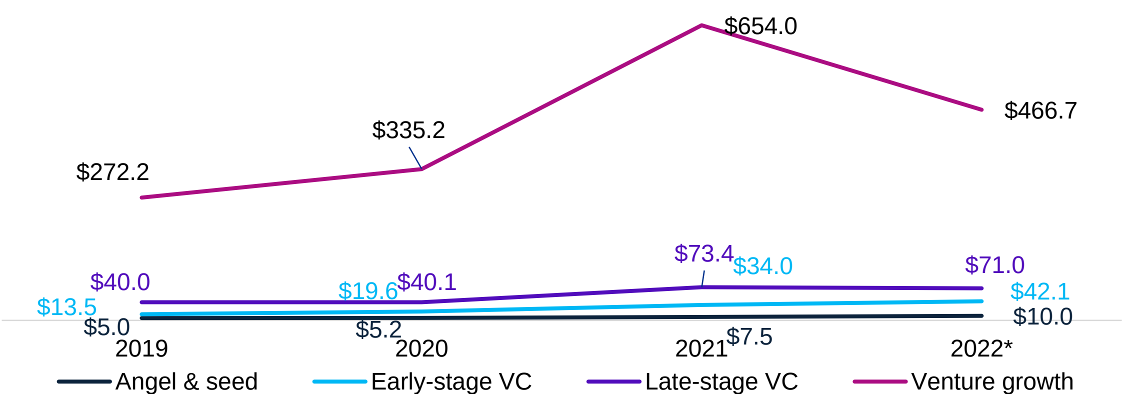
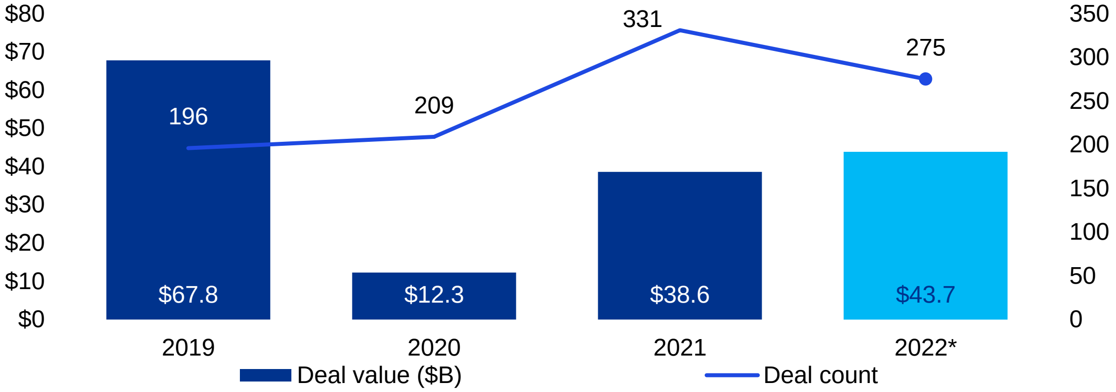
Global insights

Venture valuations finally decline at the growth stage, yet M&A is propped up by some acquirers' deep pockets

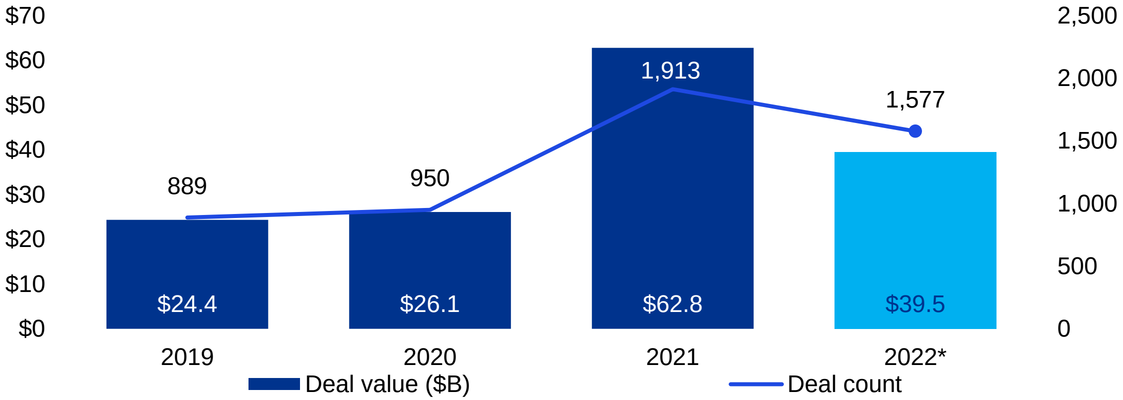
Global median pre-money valuations ($M) by stage in fintech
2019–2022*



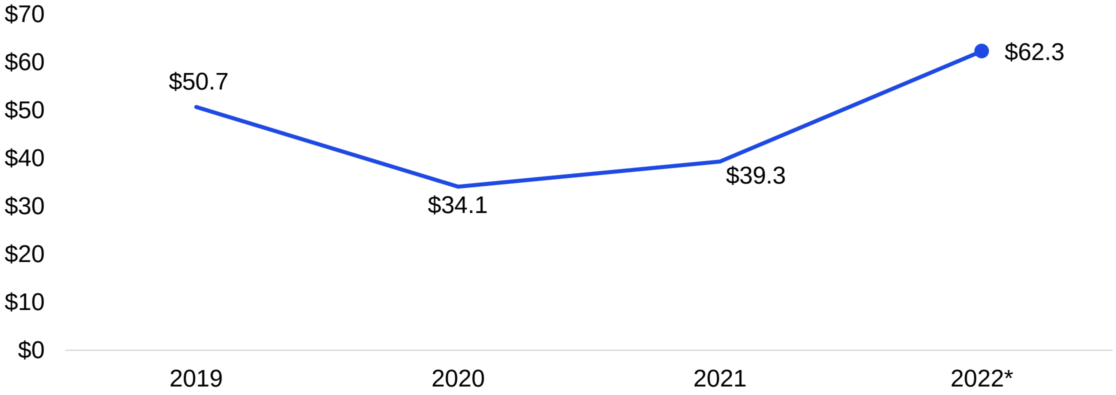
Global cross-border M&A activity in fintech
2019–2022*



Global VC activity in fintech with corporate participation
2019–2022*



Global median M&A size ($M) in fintech
2019–2022*



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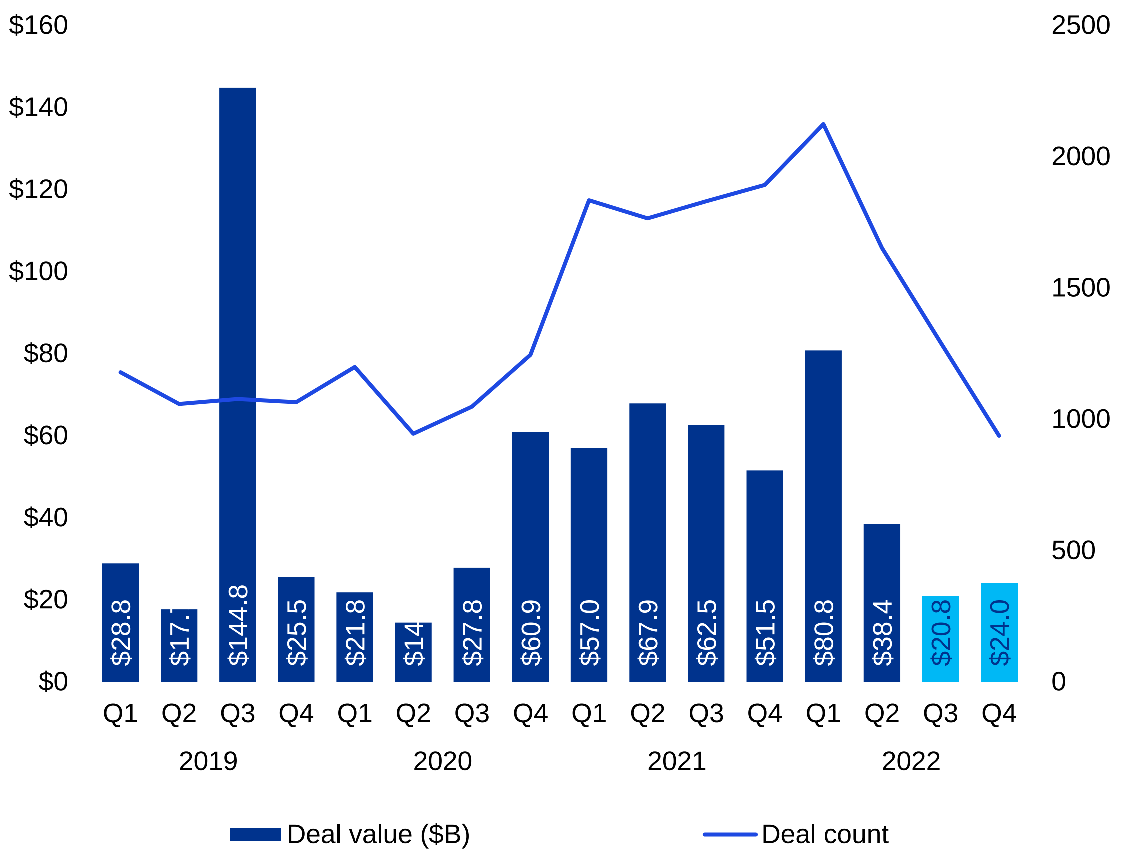
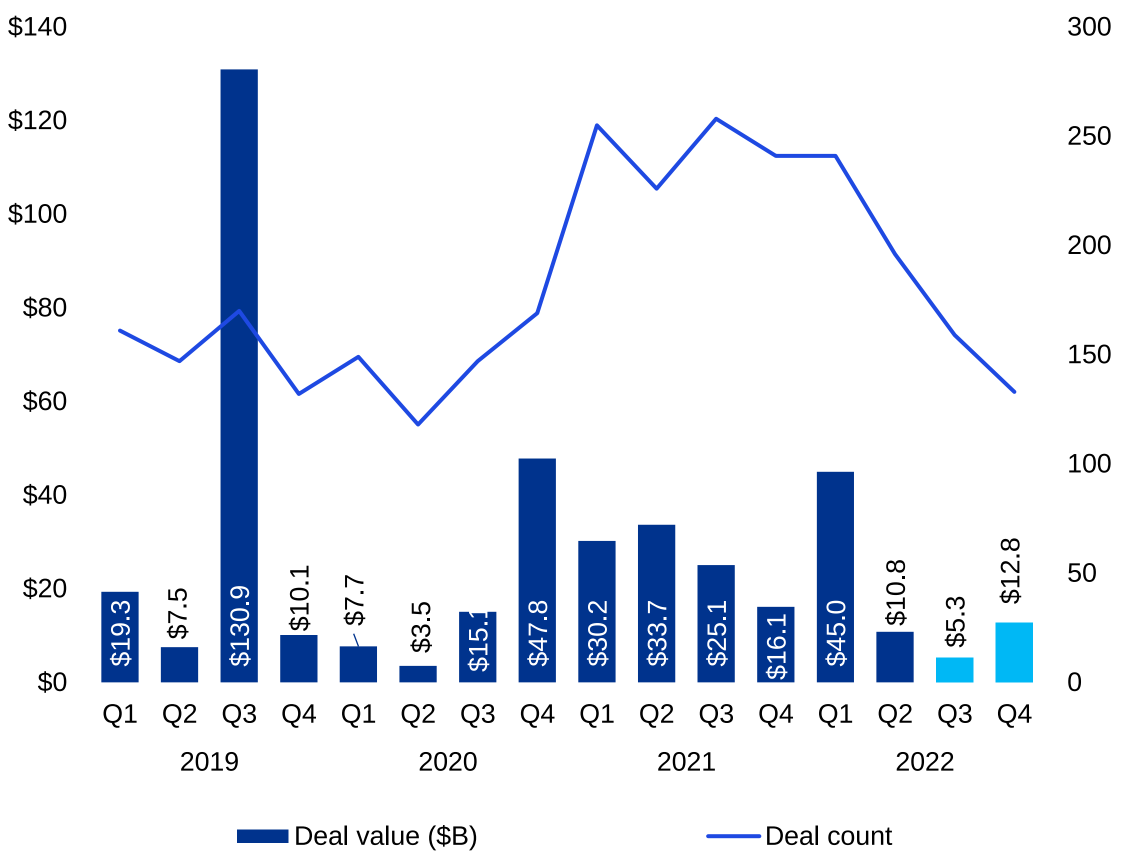
Global insights

It remains to be seen how much dealmaking may slide further given quarterly momentum is trending down

Total global investment activity (VC, PE and M&A) in fintech
2019–2022*



Global M&A activity in fintech
2019–2022*



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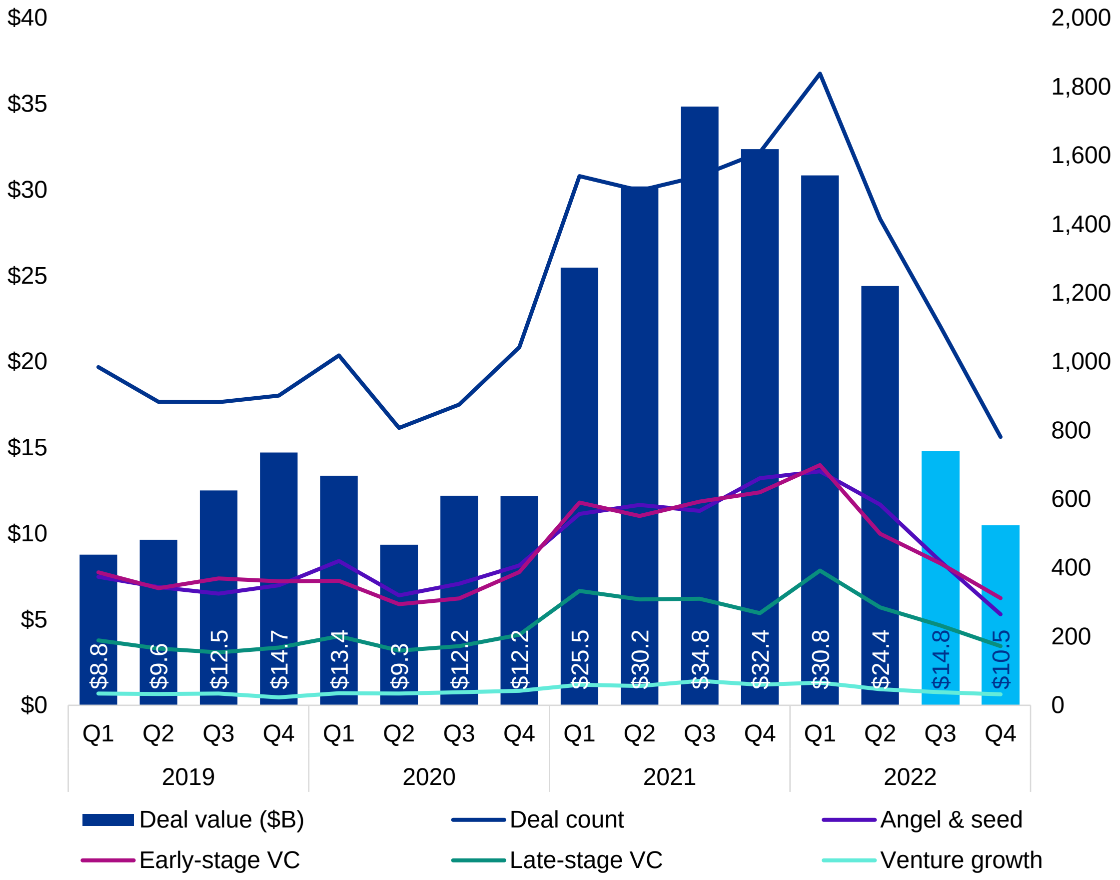
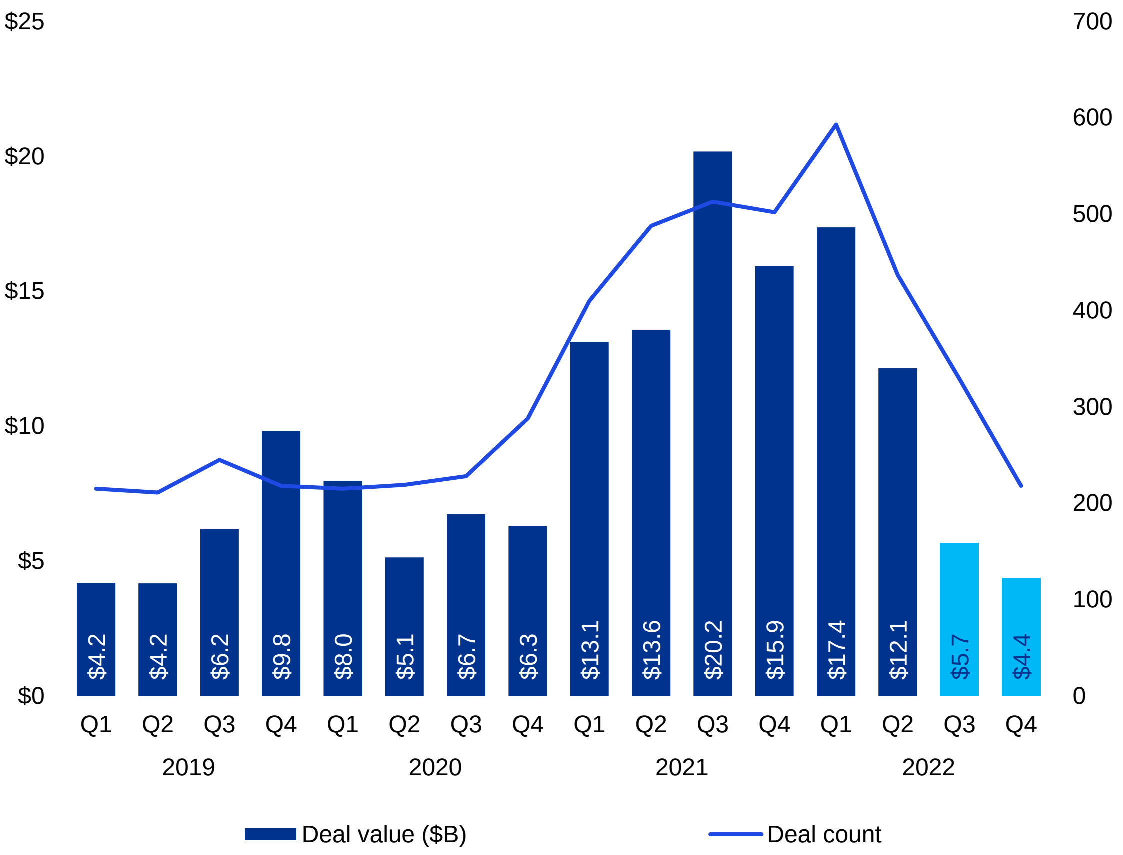
Global insights

VC activity declines, even with corporates participating

Global venture activity in fintech
2019–2022*



Global VC activity in fintech with corporate participation
2019–2022*



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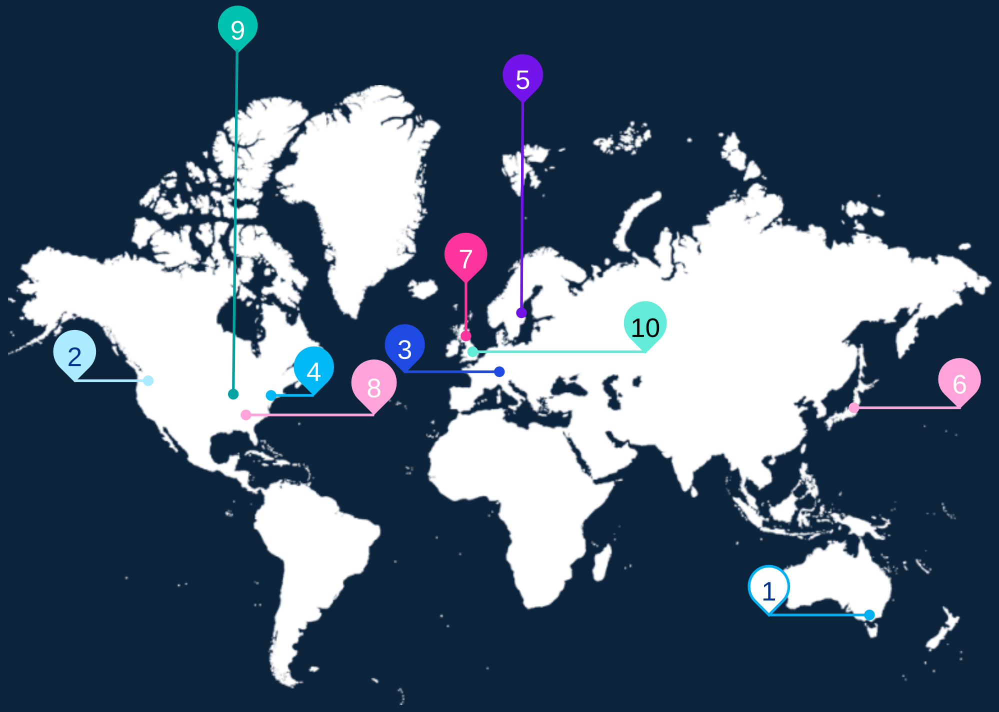
Global insights

Top 10 global fintech deals in 2022



1. **Afterpay** — $27.9B, Melbourne, Australia — Payments — *M&A*
2. **Avalara** — $8.4B, Seattle, US — Regtech — *Public-to-private buyout*
3. **Sia (Milan)** — $3.9B, Milan, Italy — Payments — *M&A*
4. **Bottomline Technologies** — $2.6B, Portsmouth, US — Institutional/B2B — *Public-to-private buyout*
5. **Tink** — $2.1B, Stockholm, Sweden — Institutional/B2B — *M&A*
6. **Yayoi** — $2.1B, Tokyo, Japan — Institutional/B2B — *Corporate divestiture*
7. **Interactive Investor** — $1.8B, Leeds, UK — Wealth/investment management — *M&A*
8. **Billtrust** — $1.7B, Lawrenceville, US — Payments — *Public-to-private buyout*
9. **Computer Services** — $1.6B, Paducah, US — Institutional/B2B — *Public-to-private buyout*
10. **FNZ** — $1.4B, London, UK — Wealth/investment management — *PE growth*

Source: Pulse of Fintech H2'22, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 31 December 2022.

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Fintech segments

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

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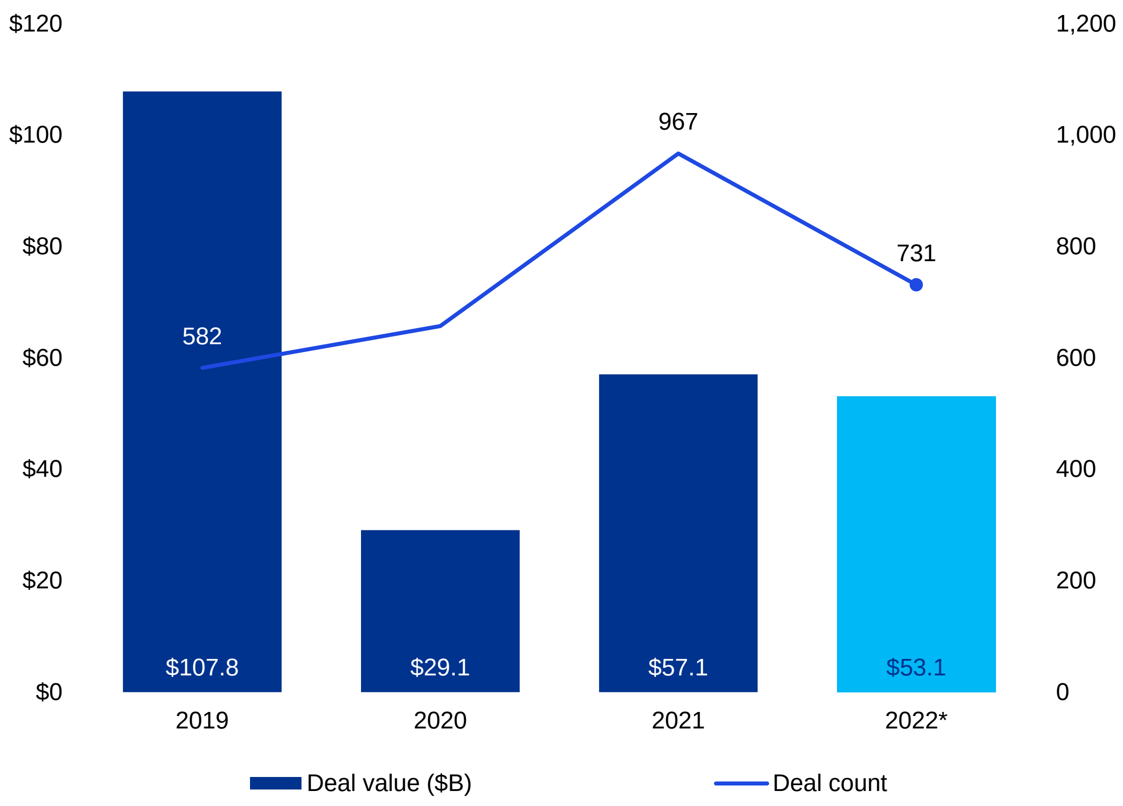
Fintech — Payments

Payments space dominates fintech market, attracting US$53.1 billion in investment in 2022

Total global investment activity (VC, PE and M&A) in payments
2019–2022*



Source: Pulse of Fintech H2'22, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of December 31, 2022.

Despite a decline in investment year-over-year, payments remained the hottest fintech sector for investment globally in 2022, accounting for over $53.1 billion of total investment. The $27.9 billion acquisition of Australia-based Afterpay in H1’22 accounted for more than half of this total. The largest M&A deals in H2’22 was significantly smaller, including the buyout of US-based Computer Services Inc. $1.6 billion and the $700 million acquisition of proximity payments company International Game Technology. Key H2’22 highlights from the payments sector include:

Robust deal volume despite decline

The payments space attracted the second highest volume of deals ever in 2022 — well above all years except the outlier year that was 2021. While investment was down globally, the sheer number of deals is a strong indicator of the breadth of opportunities related to payments and the long-term attractiveness of the space in the eyes of investors.

Wealth of jurisdictions attracting $100 million+ megarounds

The geographic diversity of VC deals was particularly noteworthy in H2’22, with seven different jurisdictions attracting the seven largest deals, including: Sweden-based Klarna ($800 million), UK-based SumUp ($603 million), South Korea-based Toss ($405 million), Luxembourg-based Satispay ($318 million), Indonesia-based Xendit ($300 million), Italy-based Piteco ($252 million), India-based ezetap ($200 million) and US-based Evertec ($196 million).

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Fintech — Payments

BNPL continuing to gain momentum despite valuations challenges

The buy now, pay later space saw some challenges in H1’22, particularly on the valuations front following the well-publicized $800 million down round raised by Sweden-based Klarna in July. With inflation high and interest rates rising, BNPL companies will likely continue to have their margins challenged. Despite the challenges faced by some standalone BNPL firms, there continued to be momentum in the space, particularly on the part of corporates looking to embed or create their own BNPL offerings. In H2’22, Walmart announced plans to launch a new BNPL offering in collaboration with One — a fintech in which it owns a majority stake.[1]

Growing focus on embedded payments

Interest in embedded payments continued to grow during 2022, spanning a wide variety of sectors — from retail and e-commerce to gaming and ride-hailing. Corporates showed particular interest in the space, likely as a means to extend their customer value.

What to watch for in H1’23

- Increasing focus on developing and investing in B2B payments solutions
- Payments companies increasing the breadth and reach of their services both directly and through different partnerships and buildouts
- BNPL evolving to become more of a platform feature than a standalone offering
- Payments companies and investors in the Asia-Pacific region shifting their focus from new customer acquisition to deepening customer engagement
- Organizations with strong balance sheets looking to buy technology capabilities at lower valuations.

“Given the uncertain economic climate globally — which has caused deal value across many areas to drop — the fact that payments has continued to see a significant amount of deal volume says a lot. It points to just how much attention, innovation and collaboration is occurring in the payments sector and to the incredible amount of interest that investors have in a wide variety of players across the payments space globally.”

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

1 https://www.convenience.org/Media/Daily/2022/Dec/11/4-Walmart-Plan-Launch-Buy-Now-Pay-Later_Payments#:~:text=A%20fintech%20company%20backed%20by%20Walmart%20plans%20to,service%20could%20available%20as%20soon%20as%20next%20year.

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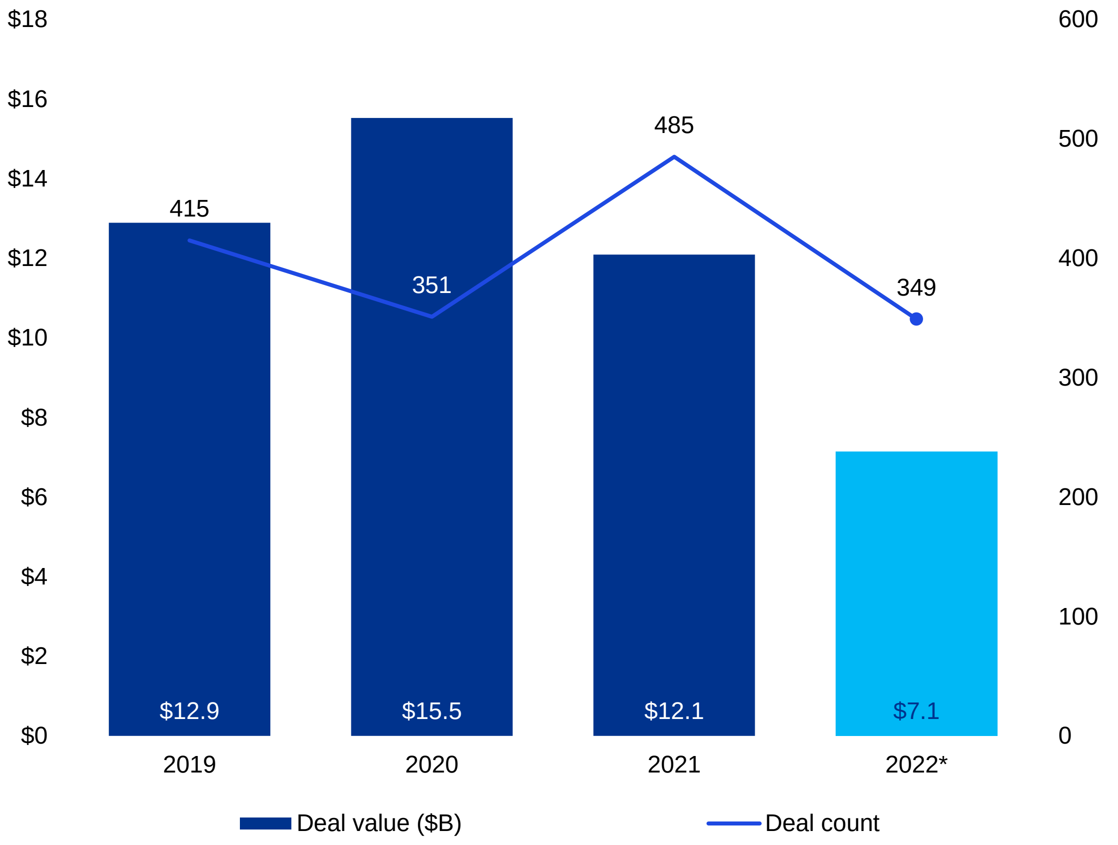
Fintech — Insurtech

Investment in insurtech falls to seven-year low in 2022

Total global investment activity (VC, PE and M&A) in insurtech
2019–2022*



Source: Pulse of Fintech H2'22, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of December 31, 2022.

Global investment in the insurtech sector dropped to a seven-year low of US$7.1 billion in 2022, which may reflect some investor pullback in light of the post-IPO performance challenges that several insurtechs that have gone public in recent years have experienced. Despite the slowdown overall, there were positive notes: H2’22 saw all three key regions (i.e., Americas, EMEA, Asia-Pacific) attracting large deals, including the completion of the $500 million acquisition of US-based Metromile by Lemonade (first announced in H2’21), a $400 million VC raise by Germany-based Wefox, a $315 million VC raise by US-based Pie Insurance and a $300 million VC raise by Singapore-based Bolttech. Key H2’22 highlights from the insurtech space include:

Investors in insurtech sitting on the fence

2022 was a relatively quiet year for insurtech investment as many insurtech investors took a pause to wait out some of the uncertainty in light of challenging macroeconomic conditions, declining valuations and the performance of insurtechs in the public markets. As valuations in particular stabilize, investors will likely start to make moves again.

Insurtech investors intensifying focus on profitability

During 2022, insurtech investors significantly enhanced their focus on profitability, focusing less on the growth of companies and more on paths to profitability. This has led some startups to re-evaluate where the value in their company is, both from a technology point of view and from an insurance point of view.

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Fintech — Insurtech

Increasing focus on insurtechs targeting the enablement space

Over the past twelve months, there has been an increasing focus on startups focused on the enablement space — providing SaaS solutions targeted towards traditional insurance industry players in order to help them improve their operations, products and services, or customer experience.

Corporate taking more of a partnership approach

Historically, many corporate investors in insurtech have focused their investments based on the goal of eventually bringing new capabilities into their organizations. This trend has shifted somewhat in 2022 as some corporates began to take a more partnership-focused approach to their investments, working more collaboratively with insurtechs — such as by providing data, analytics or access to their customer base — to help them develop and grow.

What to watch for in H1'23

- Investors continuing to focus on insurtechs with clear paths to profitability
- Stronger focus on insurtechs focused on enablement and SaaS solutions
- Insurance carriers looking at opportunistic acquisitions of insurtechs that might fit strategically within their business
- Investors looking at whether insurtechs that have thrived under strong market conditions can also withstand a more challenging economic environment
- Growing number of startups in the Asia-Pacific region focusing on the technology-play as a means to scale and grow.

"Looking back at 2022 overall, it's like it was the year of the perfect storm for the insurtech sector. The great ride that insurtechs were on over the last few years — with lots of available funding, investors heightened appetite and willingness to take risks — started to slow down as economic headwinds and realities set in. But there's still a lot of potential in insurtech and a lot of funding will likely still go into the space in the years to come. Insurtechs able to prove their value and show their ability to turn a profit will be well positioned to grow once the dust settles."

Ram Menon
Global Head, Insurance Deal Advisory
KPMG International

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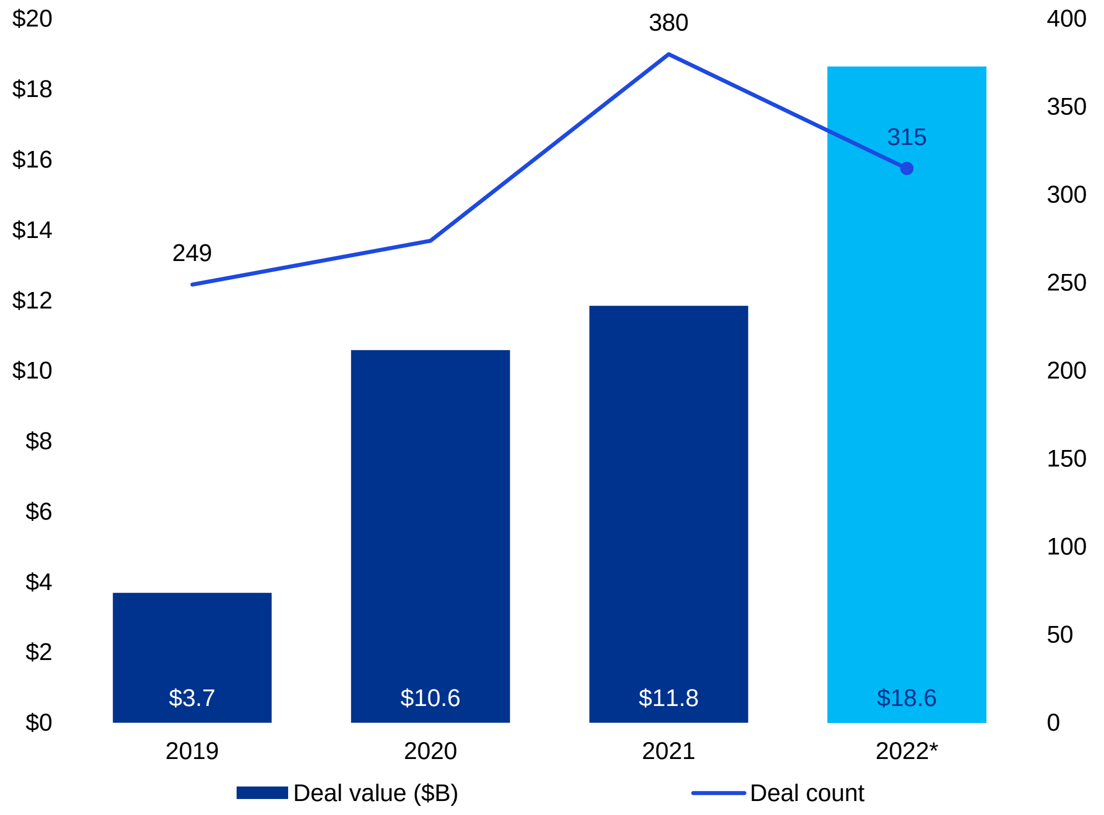
Fintech — Regtech

Regtech bucks downward trend, soars to record US$18.6 billion in global investment in 2022

Total global investment activity (VC, PE and M&A) in regtech
2019–2022*



Source: Pulse of Fintech H2'22, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of December 31, 2022.

In a year where most fintech verticals saw a decline in investment, regtech was a significant outlier — attracting a record high $18.6 billion in total investment globally in 2022 compared to $11.8 billion in 2021. Several large buyouts in the US during H2'22 helped drive regtech deal value, including the $8.4 billion buyout of tax compliance automation firm Avalara by Vista Equity Partners and the $1.6 billion buyout of financial and regulatory compliance firm Computer Services Inc. (CSI) by Centerbridge Partners and Bridgeport Partners. Key H2'22 highlights from the regtech sector include:

Resilience of regtech investment highlights critical importance of the space

During 2022, regtech investment showed incredible resilience in the face of a significant amount of geopolitical uncertainties and macroeconomic challenges. This resilience likely reflects the critical importance of the space in terms of helping financial institutions manage their compliance and reporting obligations in the future. With an increasing number of financial activities and transactions occurring digitally, both companies and investors recognize that embracing regtech is no longer an option for most financial institutions, but an imperative.

Cost of compliance remains key driver of regtech interest

The ever-increasing cost of compliance is a major challenge for financial services companies everywhere in the world, with multinational companies particularly challenged to manage their compliance across multiple jurisdictions. With no end in sight to regulatory change both globally and in individual jurisdictions, it's not surprising that regtech investment climbed for the fourth year in a row during 2022 as investors and corporates embraced regtechs able to provide simpler, cost-efficient and sustainable solutions for managing compliance requirements.

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Fintech — Regtech

Increasing pressure for real-time compliance management

Many financial institutions are under a significant amount of pressure to provide their customers with the ability to conduct faster and instantaneous financial transactions. This has driven a complementary focus on regtechs focused on providing a seamless and real-time approach for managing compliance obligations.

Regtechs critical partner in evolution of digital banking products

The growth of digital banking, digital payments and crypto in different jurisdictions over the last few years has driven significant investment in regtech aimed at ensuring that such transactions are accurate, transparent, reliable and compliant. Recently, investors have shown very strong interest in companies able to provide multi-dimensional services; during 2022, US-based Cross River Bank raised $620 million in PE funding to grow its fintech-focused compliance offerings, aimed at enabling a broad range of financial services activities, including payments, marketplace lending, banking-as-a-service platforms, capital-markets, and other digital banking activities.

What to watch for in H1'23

- Increasing investment as companies grapple with ongoing regulatory changes in different jurisdictions (e.g., Basel IV, the EU Market in Crypto-assets Regulation, the Digital Operations Resilience Act, the AI Act, the Digital Services Act, ESG standards)
- Growing focus on the use of AI and machine learning technologies to enable AML solutions
- Increasing focus on developing one-stop-shop regtech solutions
- Regulators continuing to encourage regtech development through programs such as the Monetary Authority of Singapore's NovA! AI-based technical platform for generating financial risk insights and the Hong Kong (SAR) Monetary Authority's AMLab.

"The resilience of regtech investments shows the importance of the space: the constantly increasing compliance requirements and the long wave of the digital transformation are the key drivers fostering the growth of regtech also in uncertain period as it was 2022."

Fabiano Gobbo
Global Head of Regtech
KPMG International

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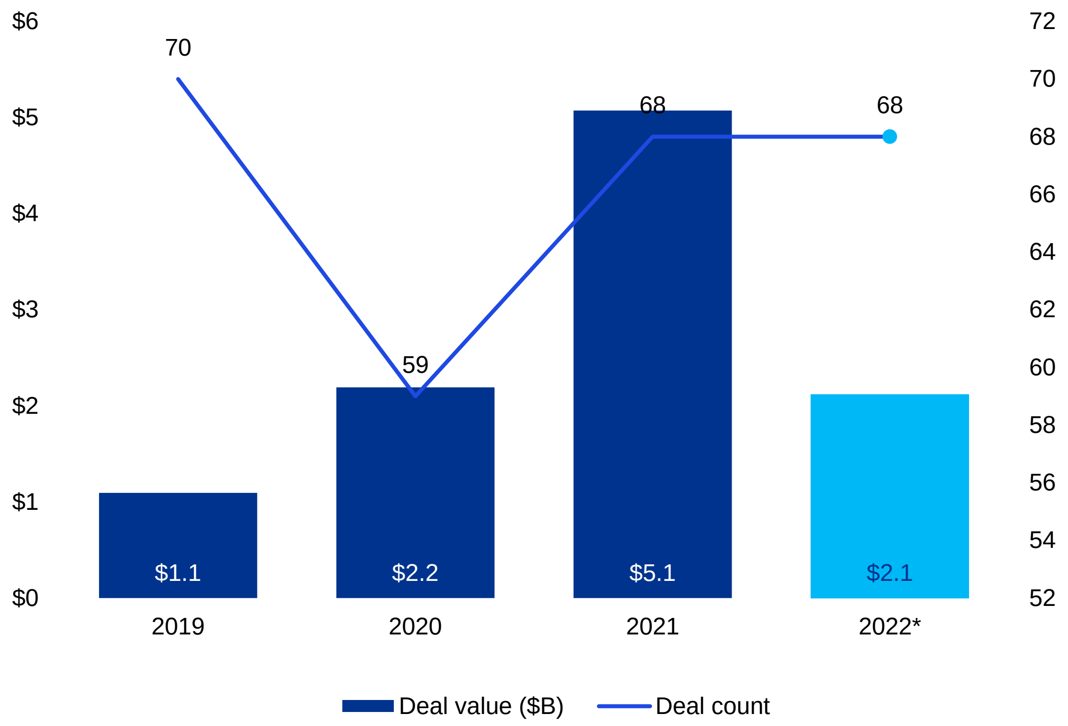
Fintech — Cybersecurity

Total global investment activity (VC, PE and M&A) in fintech: cybersecurity
2019–2022*



Source: Pulse of Fintech H2'22, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of December 31, 2022.

Investor interest in cybersecurity globally remained high in 2022, despite total investment in the space dropping from over $5 billion in 2021 to just over $2.1 billion in 2022. The lack of mega-M&A deals in the cybersecurity space largely accounted for the slide in funding as the volume of deals remained steady year-over-year. VC-deals attracted the bulk of investment during 2022, including a $200 million raise by Cayman Islands-based Ethereum scaling firm Matter Labs, a $152 million raise by US-based KYC focused company Alloy and a $150 million raise by Israel-based fraud prevention firm nsKnox in H2'22. Key H2'22 highlights from the cybersecurity sector include:

Data protection remains a critical priority for VC investors

Data management and protection focused companies continued to attract a significant amount of attention from VC investors 2022, with a number of companies raising $100 million+ funding rounds over the year, including Chainalysis ($170 million), Alloy ($152 million) and TokenEx ($100 million). Deal sizes in the data management space have grown quite significantly in recent years — and are well situated to grow further given the increasingly critical importance being placed on data protection by both regulators and companies.

Increasing focus on policy-as-code

In 2022, the lack of alignment between how different hyperscale cloud providers operate their cybersecurity controls has helped drive significant interest and investment into solutions that can help companies manage potential blind spots by embedding security controls into the secure coding pipeline. This allows data to have baked-in controls when it goes into the cloud.

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Fintech — Cybersecurity

Machine learning, analytics and automation helping drive cybersecurity investment

Continuing on a trend seen in 2021, a significant proportion of cybersecurity investment in 2022 was focused on solutions aimed at helping companies leverage automation, machine learning and smart data analytics within their security operations centers in order to speed up issue identification and response.

Priorities in different regions helping drive cybersecurity investments

While cybersecurity continued to be a critical priority in most regions of the world during 2022, the hot areas for cybersecurity investment differed quite significantly between regions. In Europe, many investments in 2022 were driven by privacy considerations and GDPR; in the US, investments were driven more by automation and the pressure to enhance cyber defense and response.

What to watch for in H1'23

- Innovations targeted towards getting better visibility and controls around cloud and hyperscale providers
- Increasing focus on improving the speed of response to cybersecurity issues with less human intervention
- Consolidations among risk assessment focused firms and consortiums
- Hyperscale providers acquiring niche cybersecurity players in order to expand scope of services.

“We're leveraging more and more third-party solutions — hosted platforms, SaaS platforms, infrastructure, bespoke business applications, etcetera — which means granting access to client platforms. This is a recipe for data getting accessed by more parties than intended. Given concerns and regulations around privacy, we need to focus on getting a better understanding of data protection and access controls for data as it goes through different parties. This will likely be a growing focus for cybersecurity investment moving forward.”

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

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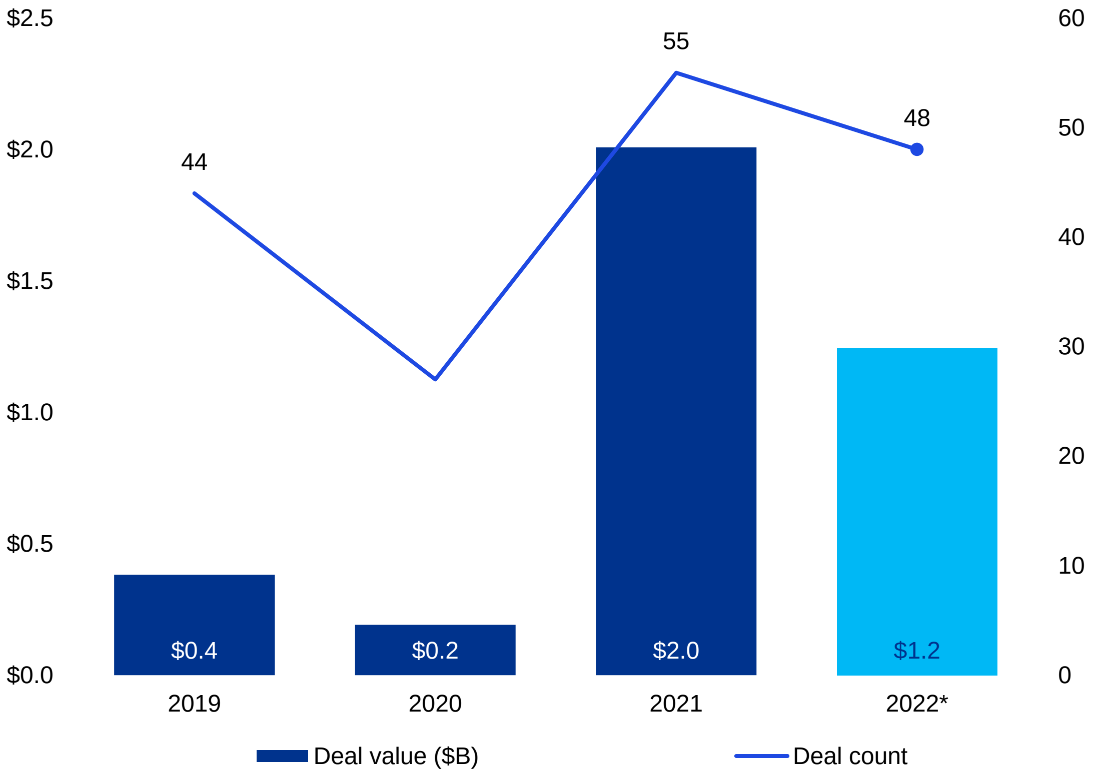
Fintech — Wealthtech

Total global investment activity (VC, PE and M&A) in wealthtech
2019–2022*



Source: Pulse of Fintech H2'22, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of December 31, 2022.

The wealthtech sector globally attracted over $1.2 billion in total investment during 2022 — a very strong year, despite the decline from 2021's investment peak of $2 billion. H2'22 saw the two largest wealthtech deals of the year, including the $323 million acquisition of UK-based Pollen Street Capital and the $300 million raise by Singapore-based crypto firm Amber. Key H2'22 highlights from the wealthtech space include:

Expanding access to alterative investment classes

Over the last year, there has been a growing number of wealthtechs focusing on developing solutions able to give a broader base of investors unique access to asset classes that have typically only been used by institutional or high net worth investors, such platforms are able to cost-effectively facilitate fractional investments which traditionally had a high minimum investment.

Client experience and value becoming a key priority

Recognizing that investors today have a wealth of information at their fingertips, both traditional wealth management firms and wealthtechs have been grappling with ways to enhance the value they provide to their clients and to build deeper relationships to help with retention. This has led to increasing interest and investment in solutions intended to improve the wealth management experience. For example, in 2022, UBS launched Circle One — a social media platform in the Asia-Pacific region aimed at both providing timely insights to their clients and at building valuable connections between their high-net-worth clients, UBS subject matter experts, and global thought leaders over time.[2]

2 https://www.ubs.com/global/en/media/display-page-ndp/en-20220524-circle-one.html

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Fintech — Wealthtech

Augmenting traditional wealth managers

Globally, there continues to be a big focus on the development of wealthtech solutions aimed at the B2B enablement space, including solutions aimed at improving and enhancing the knowledge available to wealth managers and at improving productivity through the use of innovative technologies.

ESG rising on the wealthtech radar

In 2022, ESG gained significant traction globally, driven in part by the energy crisis in Europe and by the increasing focus of governments and companies on meeting their ambitious climate change targets. This fact, combined with the changing demographics of investors, has likely contributed to the increasing interest from investors in solutions able to combine wealth management with ESG principles and outcomes. While this is still a relatively nascent space, it is expected to grow rapidly in the coming years.

What to watch for in H1’23

- Wealth managers and other fintech players working to push out unique and relevant research and insights while improving their eBanking (client channel) capabilities — such as through social media, apps, and other channels — to entice clients to invest with them
- Strengthening focus on using innovative technologies to provide highly personalized and targeted information and insights to clients
- Continued focus on developing products that align with the needs of customers at the lower end of the wealth spectrum
- As wealth shifts from one generation to the next, there will be increasing investment in wealthtech offerings that speak to the desires of investors looking to do good while still generating or maintaining their wealth — both the high-net-worth investors looking to leverage their generational wealth to make a difference and young people just starting out on their wealth-creation journey.

“With the emergence of more wealthtech players, the traditional private banking market is being opened up to clients (mass affluent) which did not traditionally have access to wealth advice, products and services. As ESG continues to be at the focus, there is no doubt that wealthtech players can increase access to ESG products and help investors who are looking to do good and contribute to the future of the planet.”

Leon Ong
Partner, Financial Services Advisory
KPMG Singapore

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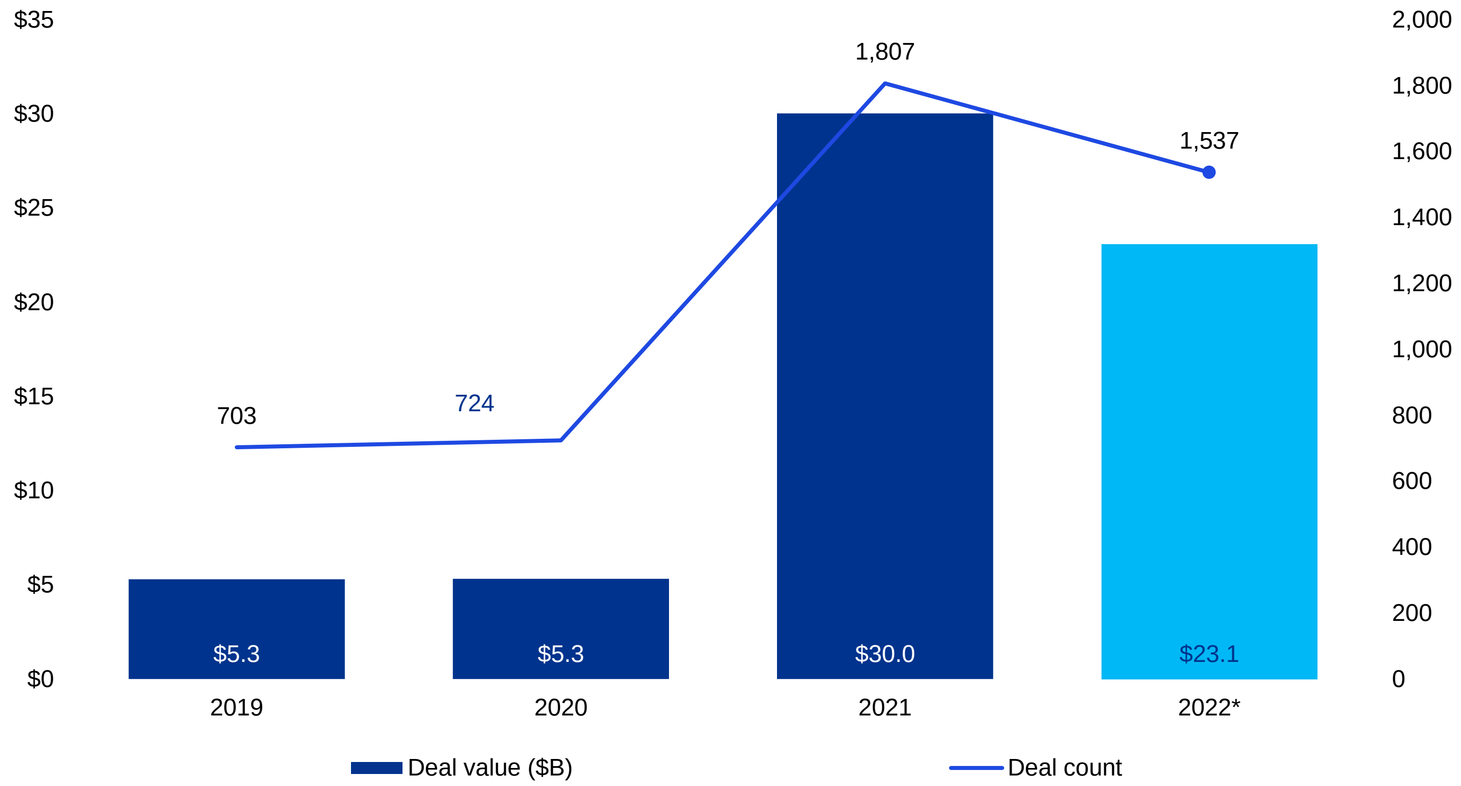
Fintech — Blockchain/cryptocurrency

Crypto space comes under intense scrutiny in wake of FTX downfall

Total global investment activity (VC, PE and M&A) in blockchain and cryptocurrency
2019–2022*



Source: Pulse of Fintech H2'22, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of December 31, 2022.

> "From an ecosystem perspective — and by that, I mean how well the blockchain and crypto space is developing from a technical development and adoption point of view — 2022 has been quite decent. El Salvador hasn't backed down from adopting Bitcoin as a currency. Brazil has recognized Bitcoin as a form of payment. China has continued to roll out its CBDC while other jurisdictions have started looking at stablecoin offerings, and several regulators have continued to focus on regulation of crypto assets. These are all positive activities."

Debarshi Bandyopadhyay
Director, Financial Services
KPMG Singapore

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Fintech — Blockchain/cryptocurrency

After 2021's year of explosive growth, including $30 billion in investment globally, total investment in crypto and blockchain dropped to $23.1 billion in 2022 — although the level of investment remained incredibly strong compared to all years prior to 2021. The bulk of investment in the space came in the first half of the year, including the $1.1 billion SPAC merger of Japan-based Coincheck and a $1.1 billion VC raise by Germany-based Trade Republic. The largest deals in H2'22 were relatively small by comparison, including the $300 million VC raise by Singapore-based crypto trading platform Amber, the $200 million raise by Cayman Islands-based Ethereum development firm Matter Labs and a $165 million raise by US-based decentralized cryptocurrency exchange Uniswap. Key H2'22 highlights from the crypto and blockchain space include:

Bankruptcy of FTX intensifying scrutiny of crypto companies

After the crash of Terra (Luna) in May, the crypto space saw a marked decline in investment as investors looked to better understand the fallout and related impacts on centralized trading platforms and other related businesses. The bankruptcy of the $32.5 billion crypto-exchange FTX in November intensified concerns. While the impact on blockchain and crypto protocols and VC investment trends will be more readily seen in H1'22, it's already clear that investors are strengthening their due diligence processes and conducting risk assessments of companies already in their portfolios.

Regulators focusing on protecting investors and consumers

2022 saw a real emergence of regulatory frameworks, guidelines and proposals related to crypto regulations — most with a strong focus on protecting consumers and retail investors. Given the challenges seen in the crypto space this year, some jurisdictions — such as Singapore — have started to position themselves as responsible crypto-hubs given their existing crypto regulatory regimes.

> "I think the non-financial sector will be a key player in 2023 when it comes to digital assets and tokenization because, unlike the financial sector which is highly regulated on what they can do, they have a free hand to choose the token business to operate. So, gaming companies, telecoms and others will likely lead the crypto space next year — focused on offerings like NFTs, DAOs and the like."

Kenji Hoki
Director, Financial Services
KPMG Japan

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Fintech — Blockchain/cryptocurrency

Blockchain-based solutions to real-world problems gaining more attention

As investor interest in crypto solutions pulled back in H2’22, the broader blockchain space started to gain more attention and interest. This included companies using blockchain-based technologies to underpin solutions to real-world problems, such as conducing real-time payment settlement pre-validation, streamlining cross-border payments and tokenizing asses.

Shifting focus from retail to business market

One trend seen in 2022 that is expected to grow heading into 2023 is the shifting focus of investors from blockchain companies focused on the retail market to startups focused on providing solutions for the SME market. One area increasingly attracting attention is the provision of SME-focused decentralized finance (DeFi) solutions, including solutions focused on SME loan financing or trade financing.

What to watch for in H1’23

- Investments focusing on broader blockchain-based solutions and companies, including, DeFi, cross-border payments, asset tokenization, and gaming
- Growing focus on institutional and SME solutions as opposed to retail
- Regulators enhancing or introducing regulations to govern crypto companies and activities
- Crypto deals taking more time as investors strengthen their due diligence processes
- Investors conducting more due diligence of potential crypto deals and increasing focus on risk management and controls for companies within their portfolios
- Investors and startups strengthening focus on jurisdictions with stronger crypto regulations, including Japan, Hong Kong (SAR) and Singapore
- Jurisdictions continuing to focus on the development and testing of stablecoins.

“Following on what happened with FTX, we’re going to see VC investors doing a lot more comprehensive due diligence on C5 platforms — especially risk management framework and related-party arrangements. They’re also going to be going through their existing portfolio companies to conduct risk assessments to identify any deficiencies or any vulnerabilities for bank-style runs. And they will also try and attain a level of control at the board level of these companies to ensure that appropriate governance procedures are undertaken and that decisions are made with suitable due process.”

Alexandre Stachtchenko
Director Blockchain & Crypto assets
KPMG France

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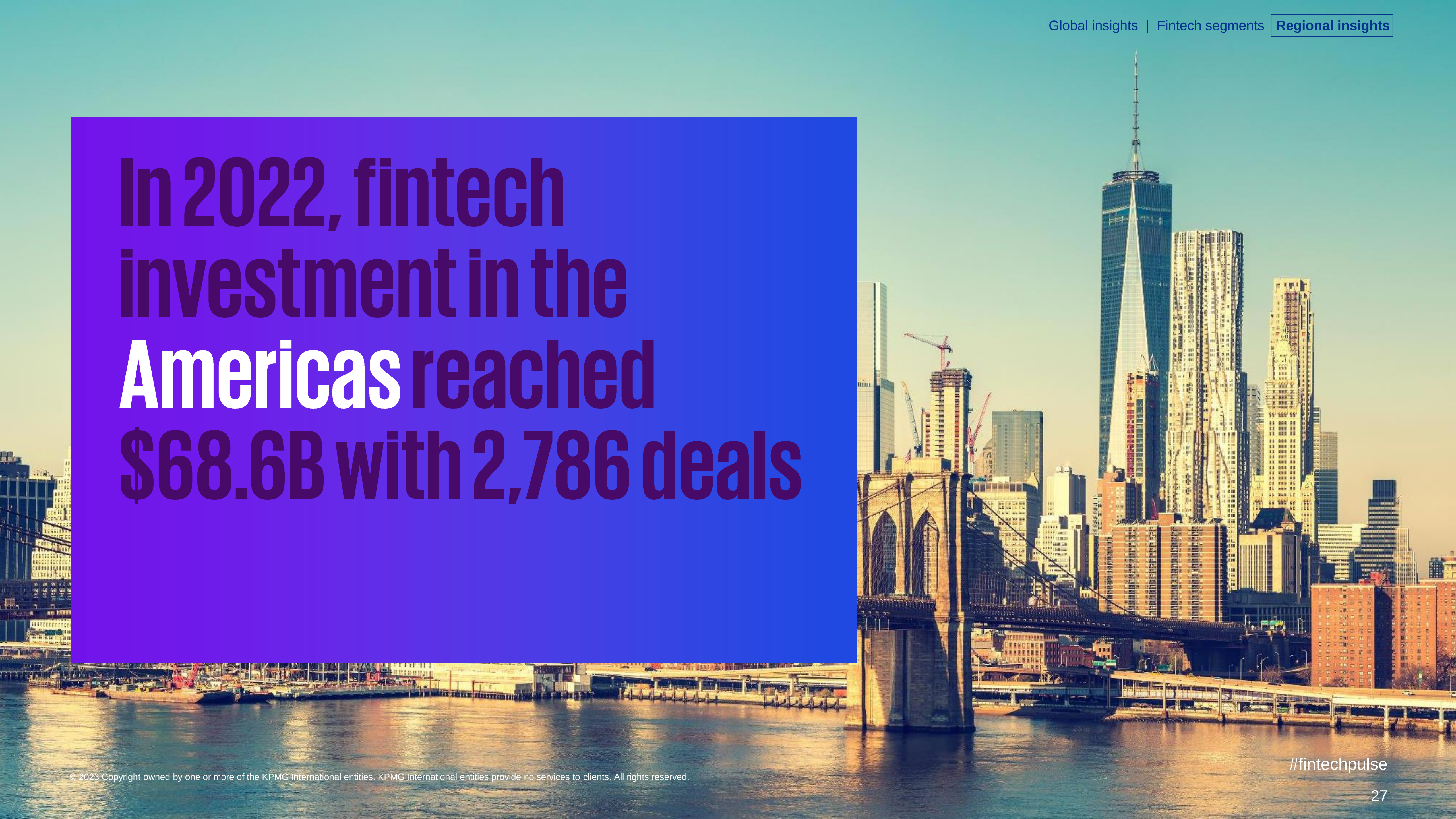

In 2022, fintech investment in the Americas reached $68.6B with 2,786 deals

#fintechpulse

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Regional insights — Americas

Despite strong deal volume, fintech investment in Americas drops to US$68.6 billion in 2022

While fintech investment in the Americas dropped from $108.9 billion in 2021 to $68.6 billion in 2022, the region saw the second highest level of annual deal volume ever (2,786) after 2021 (3,316 deals). Both fintech investment and deal volume dropped considerably from H1’22 to H2’22 — from $41.6 billion across 1,760 deals to $26.9 billion across 1,026 deals.

The largest deals of H2’22 included three buyouts in the US: the $8.4 billion buyout of tax compliance company Avalara, the $1.7 buyout of B2B-focused order-to-cash solutions firm Billtrust and the $1.6 billion buyout of regtech provider Computer Services Inc. The largest deals outside of the US during H2’22 included a $200 million raise by Grand Caymans-based Ethereum scaling company Matter Labs, a $163.1 million raise by Canada-based blockchain technology company Blockstream and a $130 million raise renewable energy financing platform Solfácil. Key H2’22 highlights from the Americas include:

US drives largest share of fintech funding in Americas during 2022

The US continued to drive the vast majority of fintech investment in the Americas, accounting for $61.6 billion in investment across 2,222 deals during 2022, including $25.2 billion in H2’22. By comparison, Brazil attracted $1.8 billion across 146 deals in 2022, while Canada attracted $1.3 billion across 169 deals.

Seed stage deals see record investment in 2022, driven by larger deal sizes

As the valuations of late-stage VC-backed companies saw significant downward pressure, many fintech investors in the Americas shifted their focus from late stage to seed and early-stage deals. Seed stage deals in particular attracted significant investment this year — attracting a record $4.5 billion, up from $3.4 billion in 2021. While year-over-year median deal sizes dropped from $94.5 to $52 million for late-stage deals, and from $10 million to $8.1 million for early-stage deals, seed stage deals saw the median deal size rise from $2.4 million to $3 million.

Continued focus on buy now, pay later

There has been explosive growth in buy now, pay later space in the Americas — particularly in the US — with strong interest from both merchants and from consumers. Big corporates in the US have started to consider offering their own BNPL solutions; in H2’22, Walmart announced a collaboration with One, a fintech it has a majority investment in, to offer BNPL to its customers. As interest rates rise, BNPL companies could see their margins eroded — which could put a laser focus on company business models. In H2’22, the US Consumer Financial Protection Bureau also raised some concerns about BNPL offerings, issuing a report on the topic. This could lead to additional scrutiny of or regulatory action in the space heading into 2023.

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Regional insights — Americas

Corporate investment shows resilience in Americas

2022 was the second best year on record for both CVC investment and the number of CVC deals in the fintech space in the Americas, accounting for $18.21 billion of investment 687 deals. The US accounted for $14.9 billion of this total across 544 deals. The relative resilience of CVC investment likely reflects the drive for innovation among incumbent financial institutions and recognition that it can be quicker to buy capabilities rather than build them internally.

Trends to watch for in H1'23

- Artificial intelligence focused technology firms really looking to enable banks, insurance companies and other financial institutions in areas like AI-based data analytics and underwriting risk assessment and decision-making
- Fintech investors continuing to focus on seed and early-stage deals well into H1'22
- Fintechs focusing on cash management and efficiency, conducting headcount reductions that parallel activities in the broader tech sector
- Corporates looking to buy fintech capabilities at good value to augment their business
- M&A activity remaining slow through the first half of the year as investors look for valuations to stabilize.

"We're seeing an increasing willingness among fintech investors in the Americas to invest in seed and early-stage VC deals, and significantly less funding going into later stage deals — particularly pre-IPO deals — because of the lack of opportunity in the IPO markets right now. That doesn't look like it's going to change quickly as we head into 2023. With the expectation that interest rates will keep rising as we head into H1'22, we'll continue to see pressure on the valuations for later stage firms. As valuations decline, we may see strong M&A activity in the second half of 2023."

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

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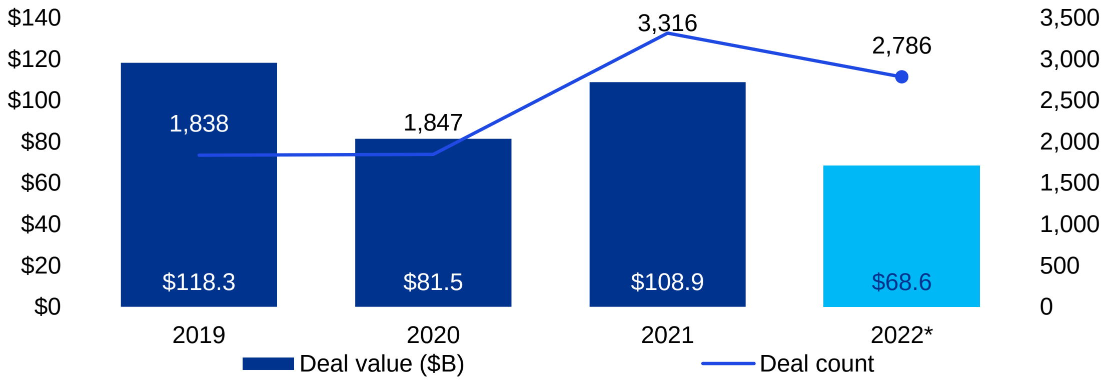
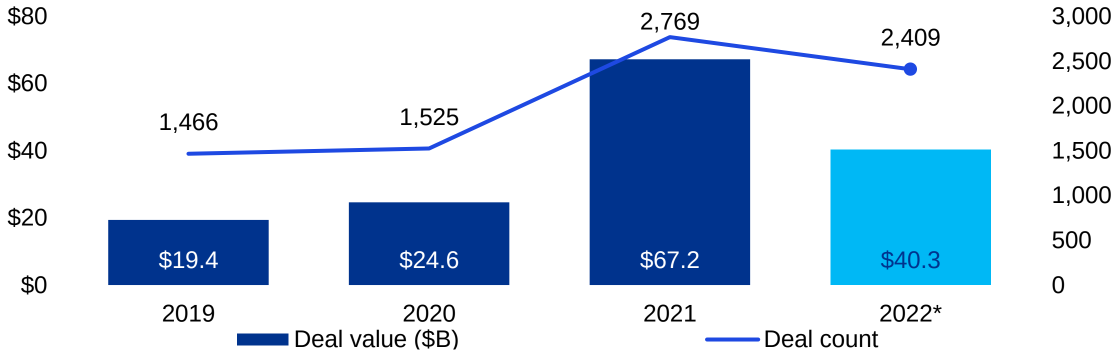
Regional insights — Americas

All in all, dealmaking remains robust; M&A shows signs of softening while PE is resilient

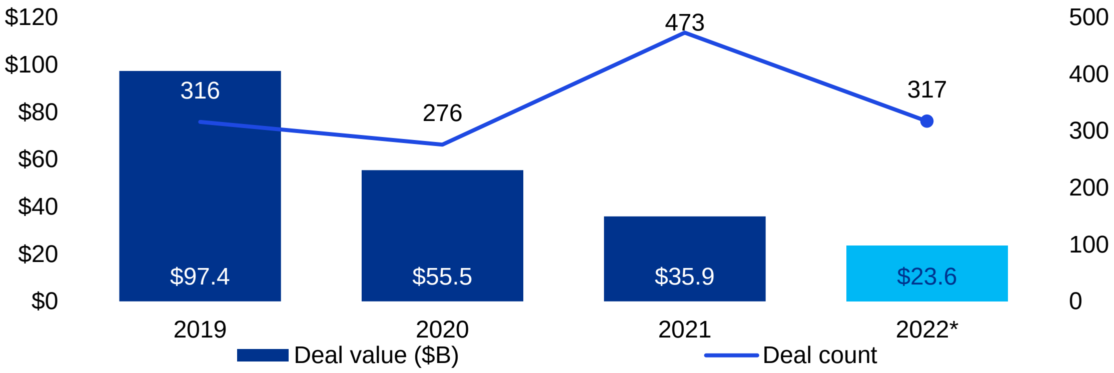
Total investment activity (VC, PE and M&A) in fintech in the Americas
2019–2022*



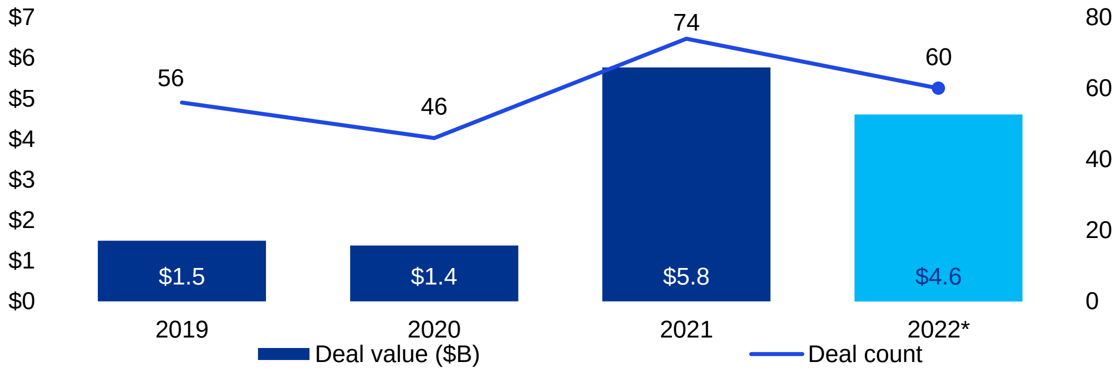
Venture activity in fintech in the Americas
2019–2022*



M&A activity in fintech in the Americas
2019–2022*



PE growth activity in fintech in the Americas
2019–2022*



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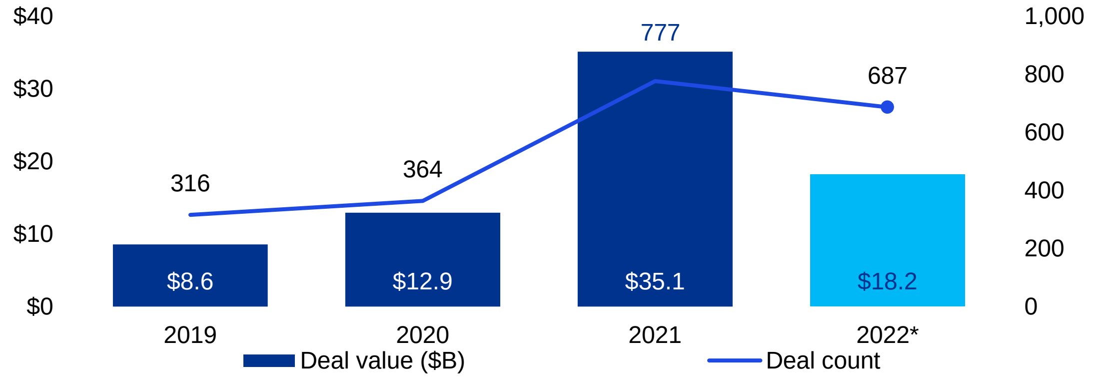
Regional insights — Americas

Financing metrics have yet to slide

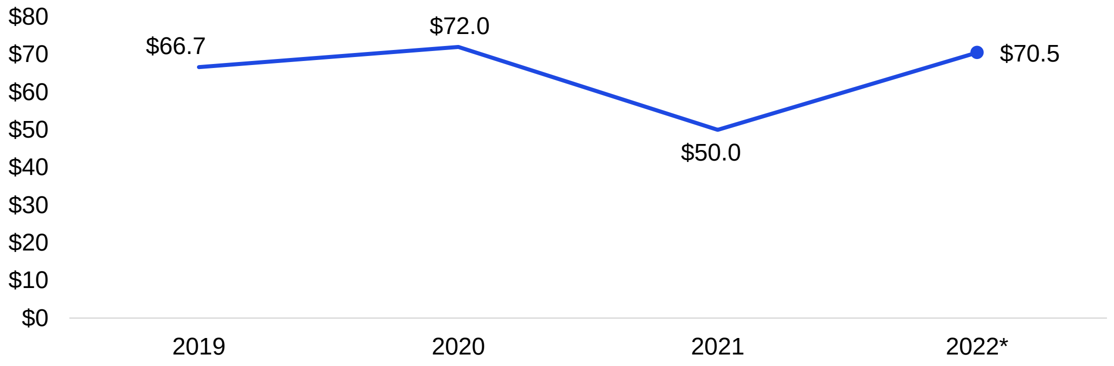
VC activity in fintech with corporate participation in the Americas

2019–2022*



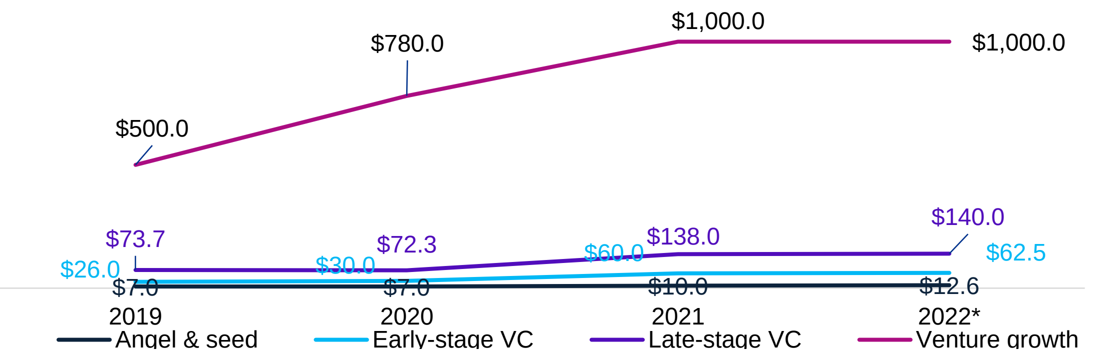
Median M&A size ($M) in fintech in the Americas

2019–2022*



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

2019–2022*



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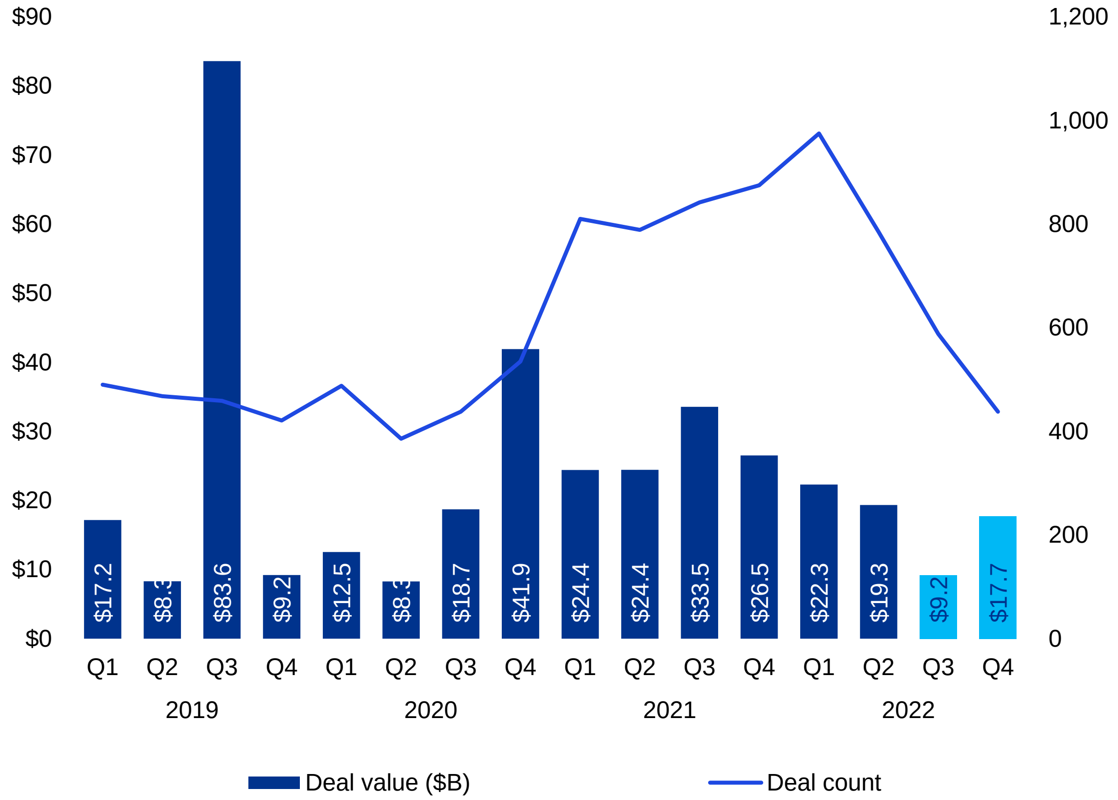
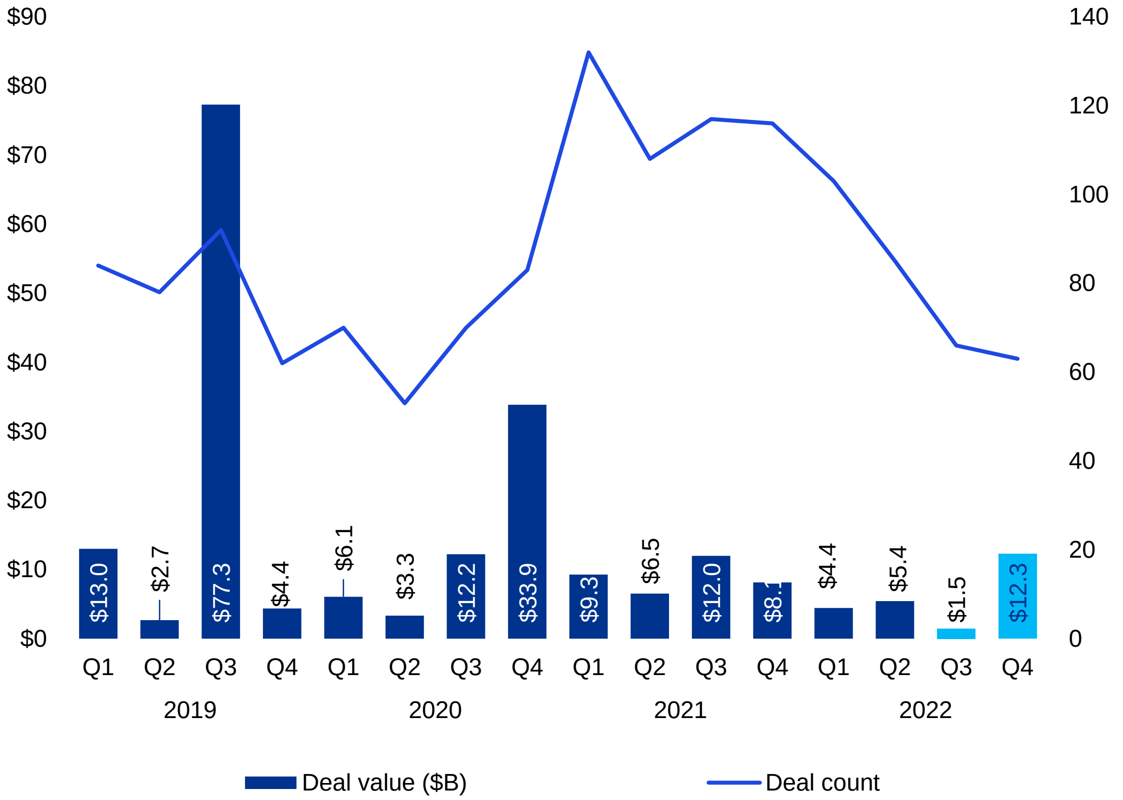
Regional insights — Americas

M&A enters subdued plateau

Total investment activity (VC, PE, M&A) in fintech in the Americas
2019–2022*



M&A activity in fintech in the Americas
2019–2022*



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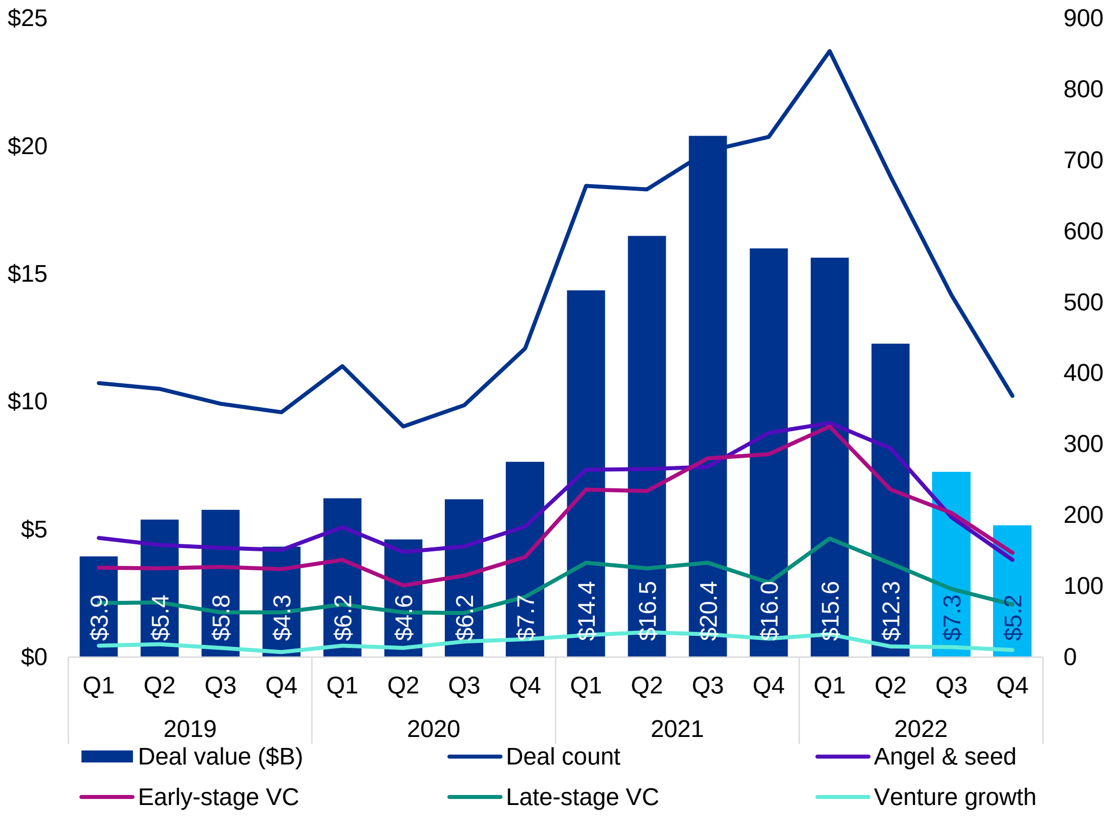
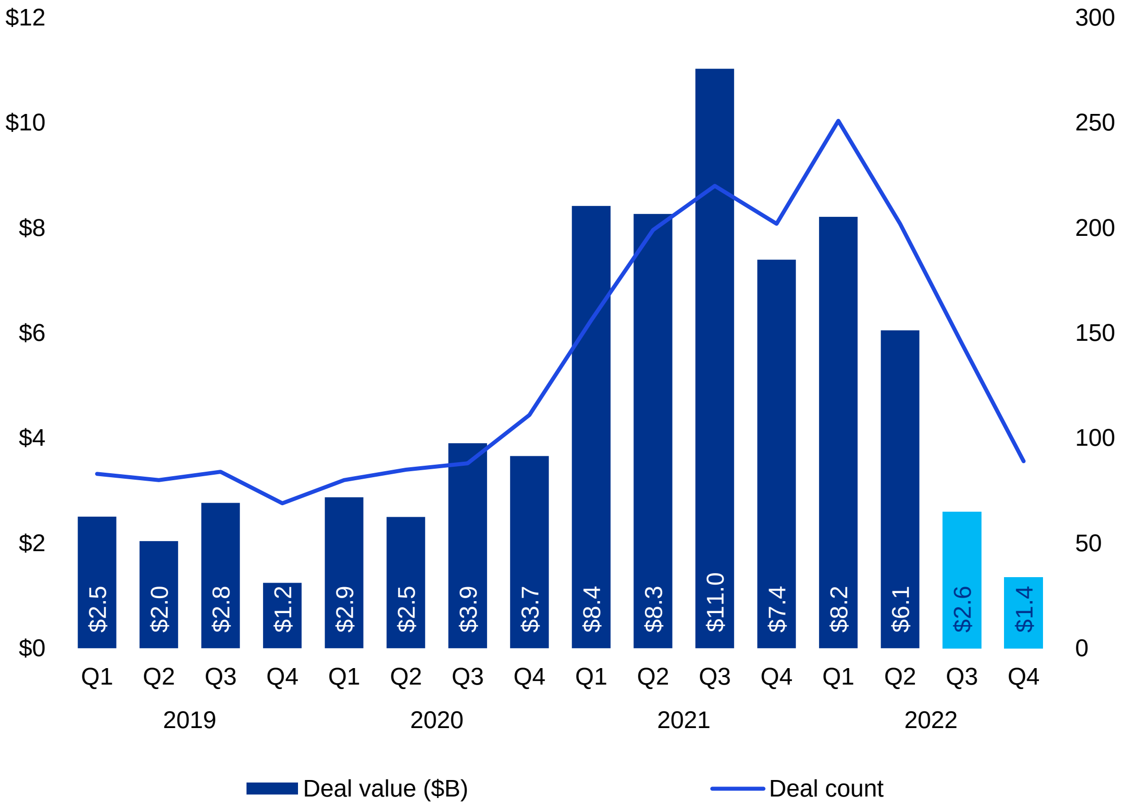
Regional insights — Americas

VC invested with corporate participation holds up

Venture activity in fintech in the Americas
2019–2022*



VC activity in fintech with corporate participation in the Americas
2019–2022*



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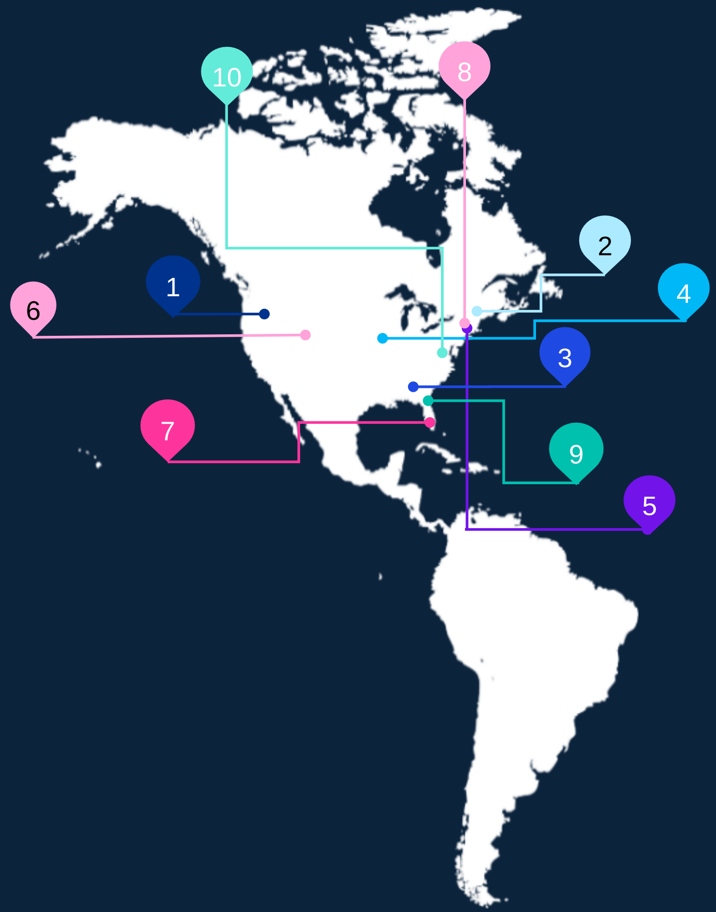
Americas

Top 10 fintech deals in the Americas in 2022



1. **Avalara** — $8.4B, Seattle, US — Regtech — *Public-to-private buyout*
2. **Bottomline Technologies** — $2.6B, Portsmouth, US — Institutional/B2B — *Public-to-private buyout*
3. **Billtrust** — $1.7B, Lawrenceville, US — Payments — *Public-to-private buyout*
4. **Computer Services** — $1.6B, Paducah, US — Institutional/B2B — *Public-to-private buyout*
5. **Genesis Digital Assets** — $1.05B, New York, US — Cryptocurrency — *PE growth*
6. **SimpleNexus** — $933.6M, Lehi, US — Lending — *M&A*
7. **Technisys** — $915.4M, Miami, US — Institutional/B2B — *M&A*
8. **Ramp** — $748.3M, New York, US — Institutional/B2B — *Series C*
9. **Finxact** — $672M, Jacksonville, US — Institutional/B2B — *M&A*
10. **Cross River Bank** — $620M, Fort Lee, US — Institutional/B2B — *PE growth*

Source: Pulse of Fintech H2'22, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 31 December 2022.

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In 2022, investment in fintech companies in Europe, Middle East and Africa (EMEA) recorded $44.9B with 1,977 deals

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Regional insights — EMEA

Fintech investment in EMEA drops sharply, from US$79 billion in 2021 to $44.9 billion in 2022

Fintech investment in the EMEA region significantly dropped year-over-year, from $79 billion across 2,379 deals in 2021 to $44.9 billion across 1,977 deals 2022. H1'22 was much stronger than H2'22, accounting for $32.8 billion in investment, including six $1 billion+ deals, including the $3.9 billion buyout of Italy-based SIA, the $2.1 billion acquisition of Sweden-based Tink and the $1.8 billion acquisition of UK-based Interactive investor.

By comparison, H2'22 saw $12 billion in investment, with the largest deals all valued under $1 billion, including the $839 million buyout of UK-based investment management platform Nucleus Financial Group, the $800 million VC raise by Sweden-based BNPL firm Klarna — at a significantly lower valuation than its previous funding round — and the $700 million acquisition of UK-based proximity payments company International Game Technology. Key H2'22 highlights from the EMEA region include:

Regtech investment growing quickly in Europe

Investor interest in the regtech space grew significantly over the course of 2022. This growth is expected to continue despite global macroeconomic challenges given the constantly shifting regulatory environment, the increasing complexity of regulatory compliance and the growing number of companies looking for regtech solutions that can enable them to improve the effectiveness and cost-efficiency of their compliance activities. With more fintech companies in the region also moving up the value chain and into regulated activities, there will likely be increasing demand for regtech solutions aimed at helping them adhere to regulatory requirements.

Insurtech continues to attract solid investment in Europe

The insurtech space attracted solid investment in Europe during H2'22, including a $400 million raise by Germany-based Wefox and an $80 million raise by Israel-based Vesttoo. The insurance industry has been lagging the banking industry in terms of digital transformation in the EMEA region over the past few years, but it is now starting to catch up. Over the last year, a number of incumbent insurers have been making investments in insurtechs to help them embrace digital transformation, or to help them enable platforms and ecosystem offerings.

"Notwithstanding the cost pressures faced by most companies at this time, we expect investment in regtech to continue to flourish, as businesses including other fintech's, seek solutions to address the ever expanding regulatory environment they face."

Anna Scally
Partner, Head of Technology & Media,
Fintech Lead
KPMG in Ireland

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Regional insights — EMEA

Crypto and blockchain deal sizes plummet in H2'22 though infrastructure players maintain investor interest

In H1'22, Europe saw a number of big deals in the crypto and blockchain space, including large VC raises by UK-based Blockchain.com ($490 million) and neobank and investment apps that had added crypto to their product offering like Germany-based Trade Republic ($1.1 billion) and Denmark-based Lunar ($314 million). Following the Terra (Luna) crash, however, investment in the space dropped sharply. Those that were still able to collect large funding tickets had their focus on web3 and digital asset infrastructure layers and included UAE-based Fenix Games ($150 million), Switzerland-based QPQ ($100 million), UK-based Aztec ($100 million), Cyprus-based ZoidPay ($75 million) and Belgium-based KeyRock ($72.8 million). The fallout of the bankruptcy of FTX triggered further demand for crypto regulation, including review of the need of additional refinements to the upcoming European Markets in Crypto Assets Regulation (MiCA), which could prompt further investment selectiveness.

What to watch for in H1'23

- The EMEA region, driven by activity in Europe, taking a leadership role in developing and supporting the growth of ESG and green fintechs
- Continued interest and investment in embedded finance, embedded banking and embedded insurance offerings
- Stronger support for the Markets in Crypto-Assets regulation (MiCA), in addition to an impetus to strengthen it further.

"As market valuations for many fintechs tumbled, the edge has switched from founders to investors. In parallel, we see increased regulatory attention as the fintech sector further matures. It is a time for savvy investors and fintechs to consolidate and expand in the value chain for regulated services."

Dave Remue
Director, Head of Fintech, KPMG Advisory
KPMG in Belgium

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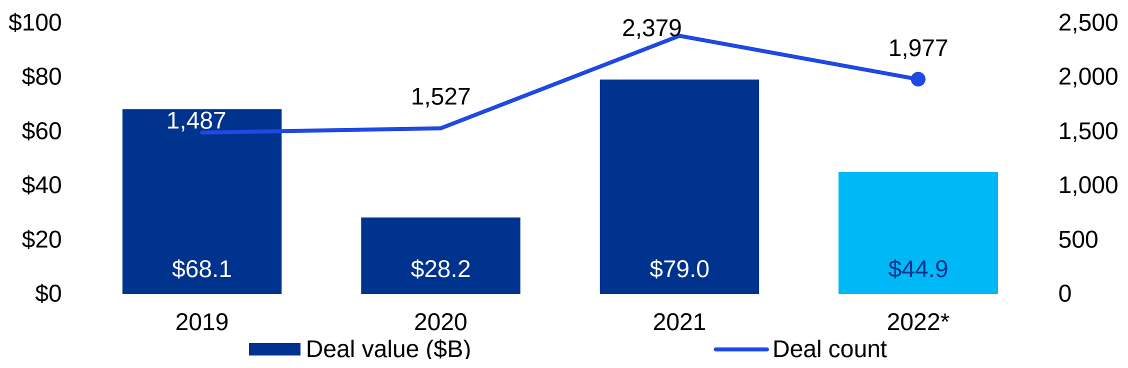
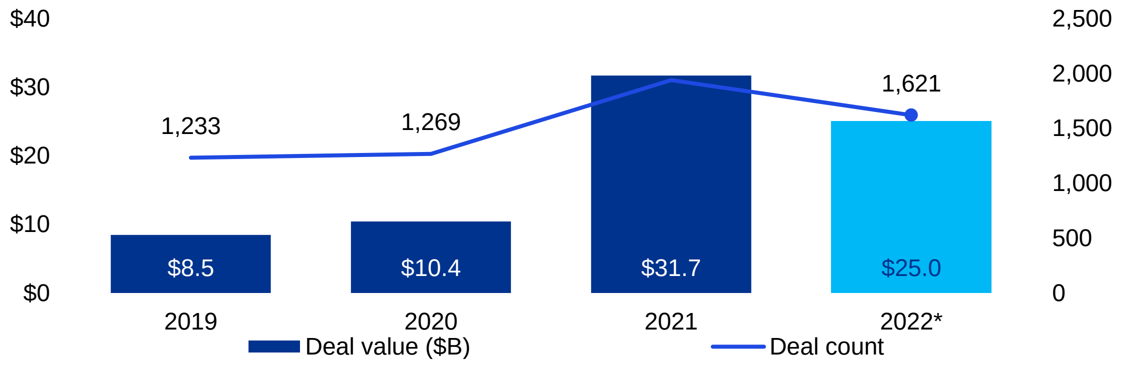
Regional insights — EMEA

PE & VC investors pushed the year to overall resilient tallies, yet momentum is slowing

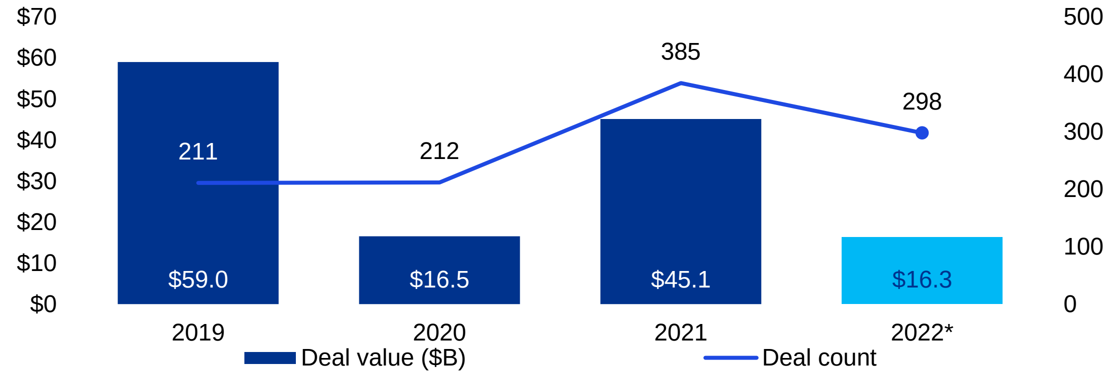
Total investment activity (VC, PE and M&A) in fintech in EMEA
2019–2022*



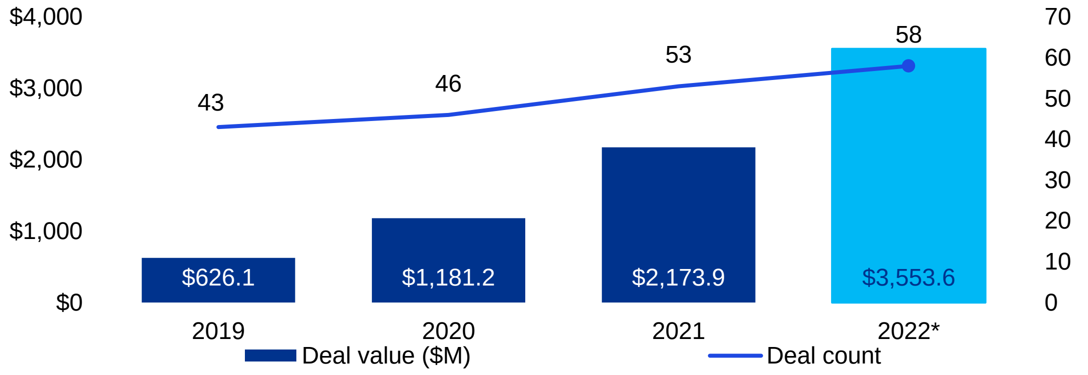
Venture activity in fintech in EMEA
2019–2022*



M&A activity in fintech in EMEA
2019–2022*



PE growth activity in fintech in EMEA
2019–2022*



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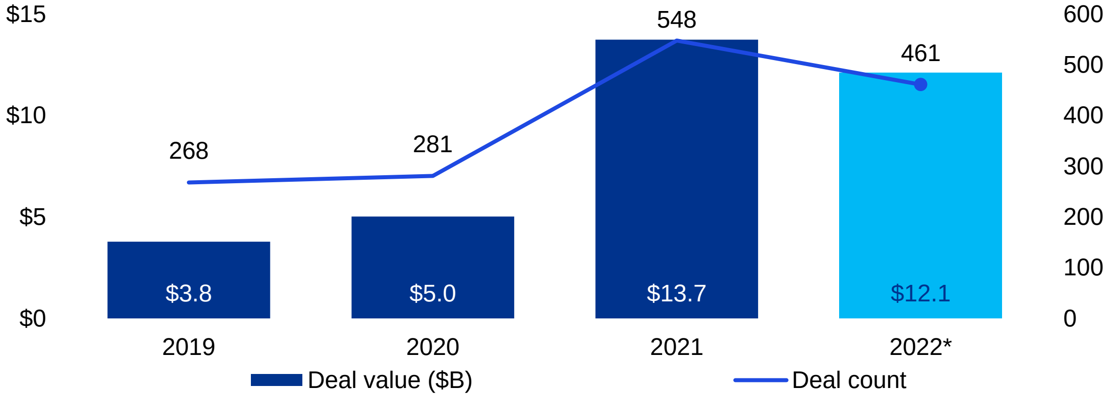
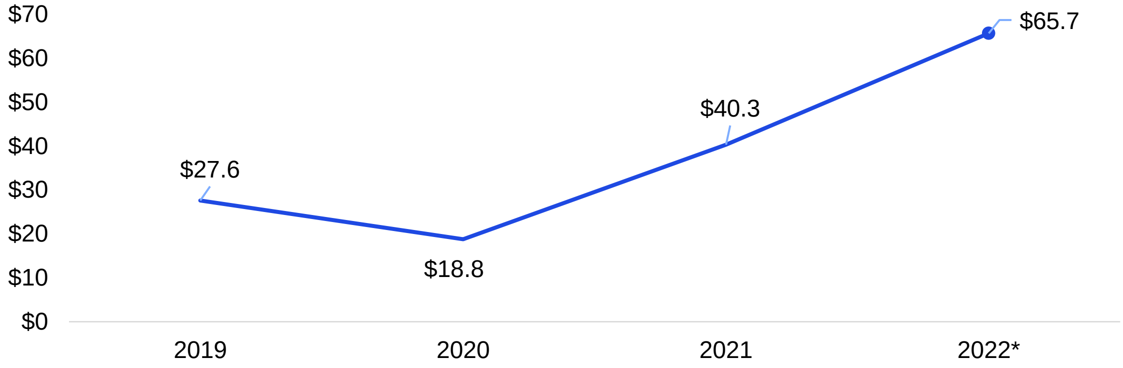
Regional insights — EMEA

Growth-stage VC valuations softening indicates caution is on the rise

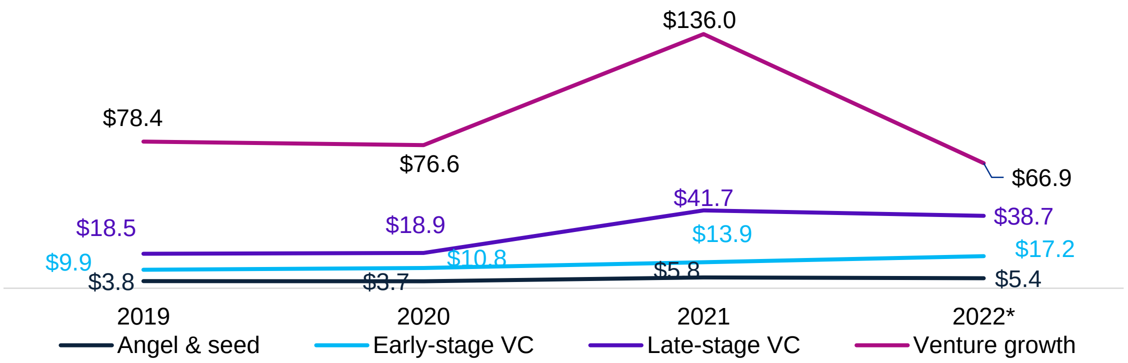
VC activity in fintech with corporate participation in EMEA
2019–2022*



Median M&A size ($M) in fintech in EMEA
2019–2022*



Median pre-money valuations ($M) by stage in fintech in EMEA
2019–2022*



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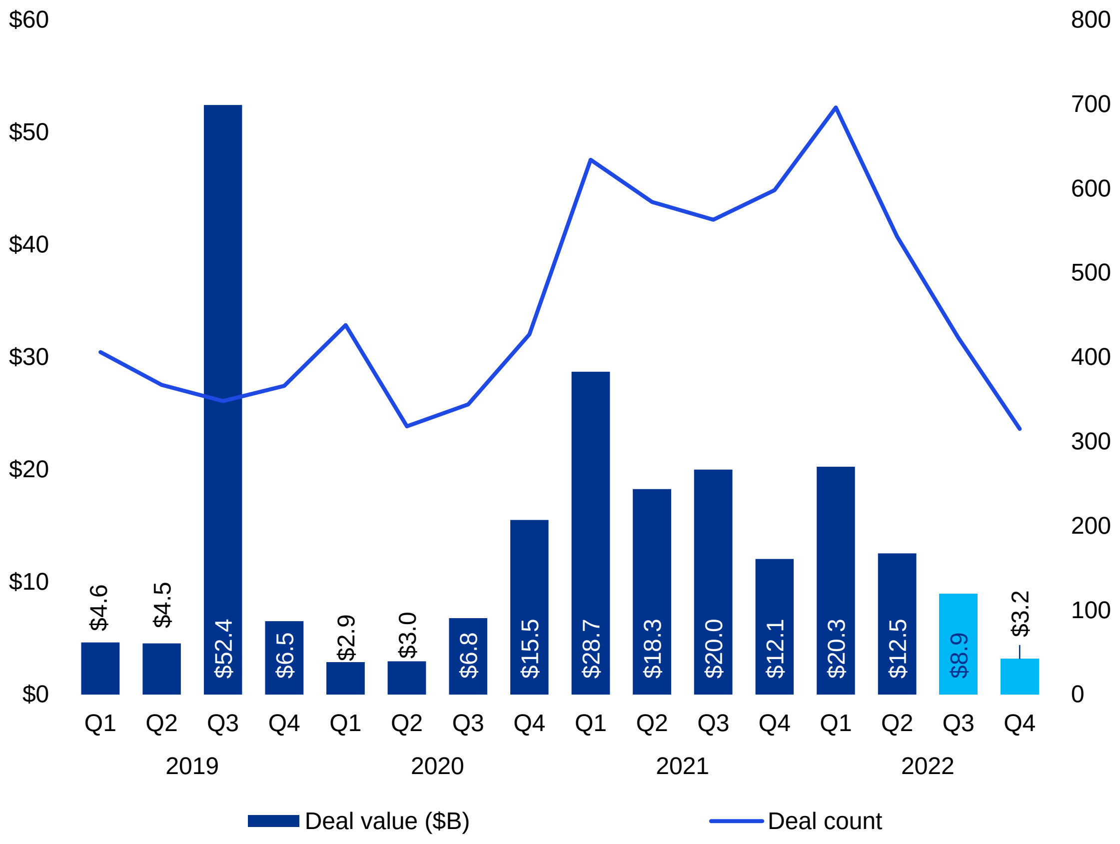
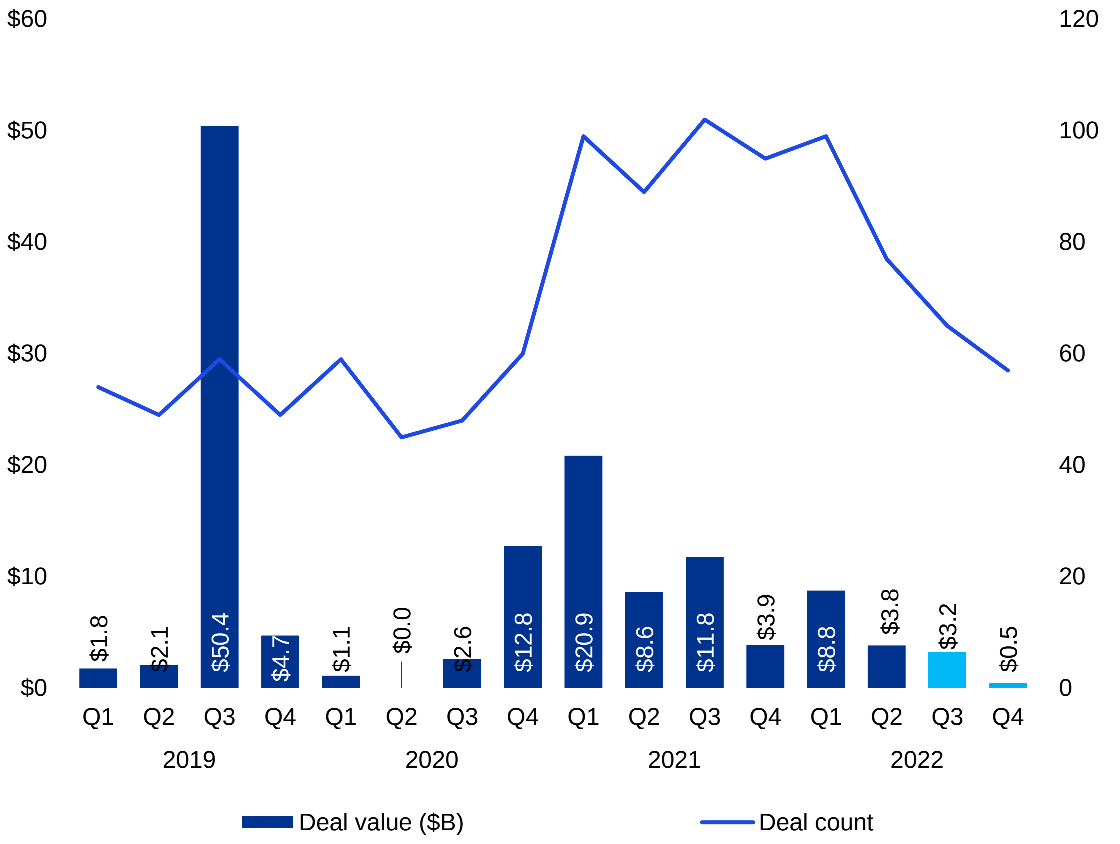
Regional insights — EMEA

Dealmaking continues to lose momentum

Total investment activity (VC, PE and M&A) in fintech in EMEA
2019–2022*



M&A activity in fintech in EMEA
2019–2022*



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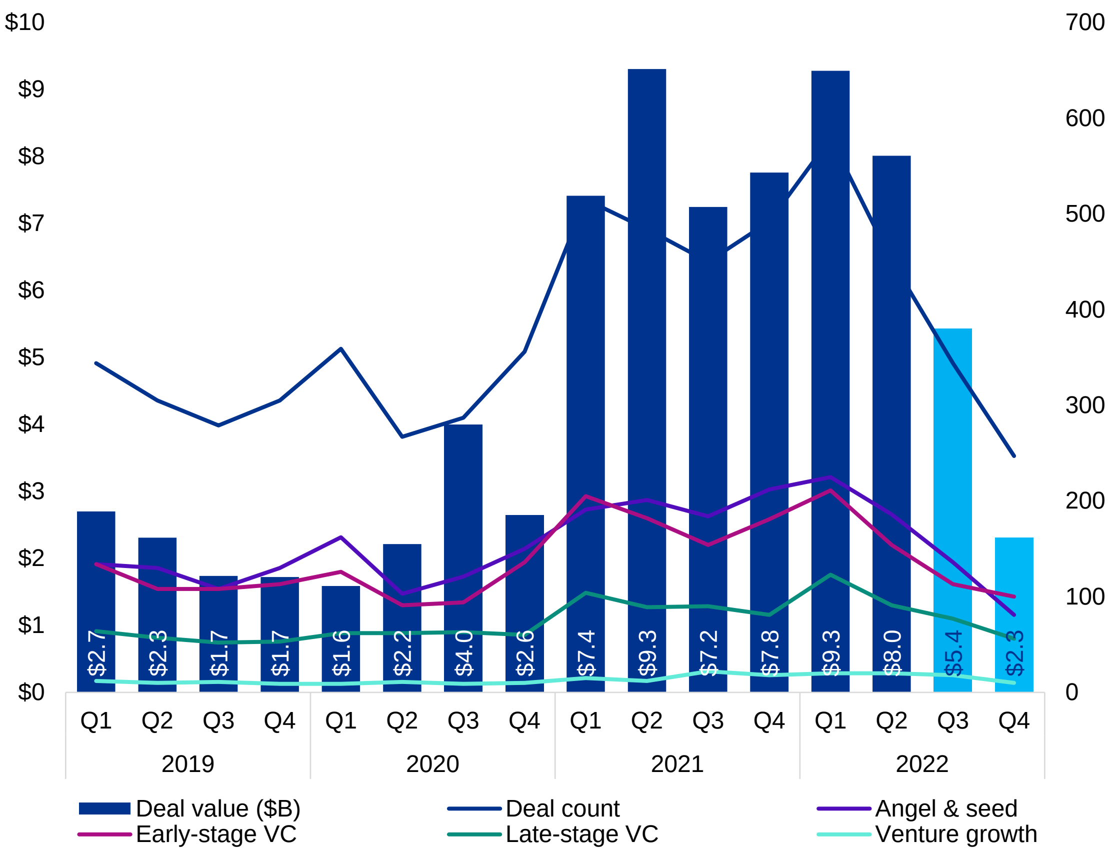
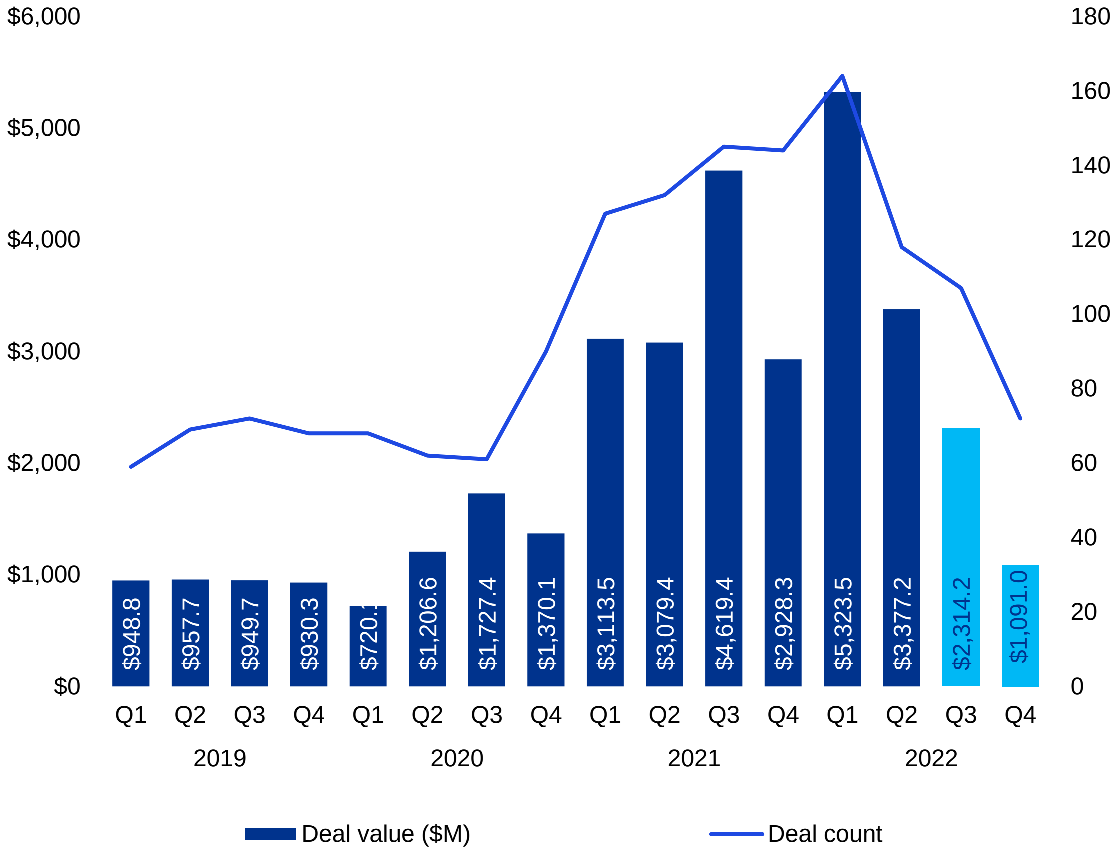
Regional insights — EMEA

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

Venture activity in fintech in EMEA
2019–2022*



VC activity in fintech with corporate participation in EMEA
2019–2022*



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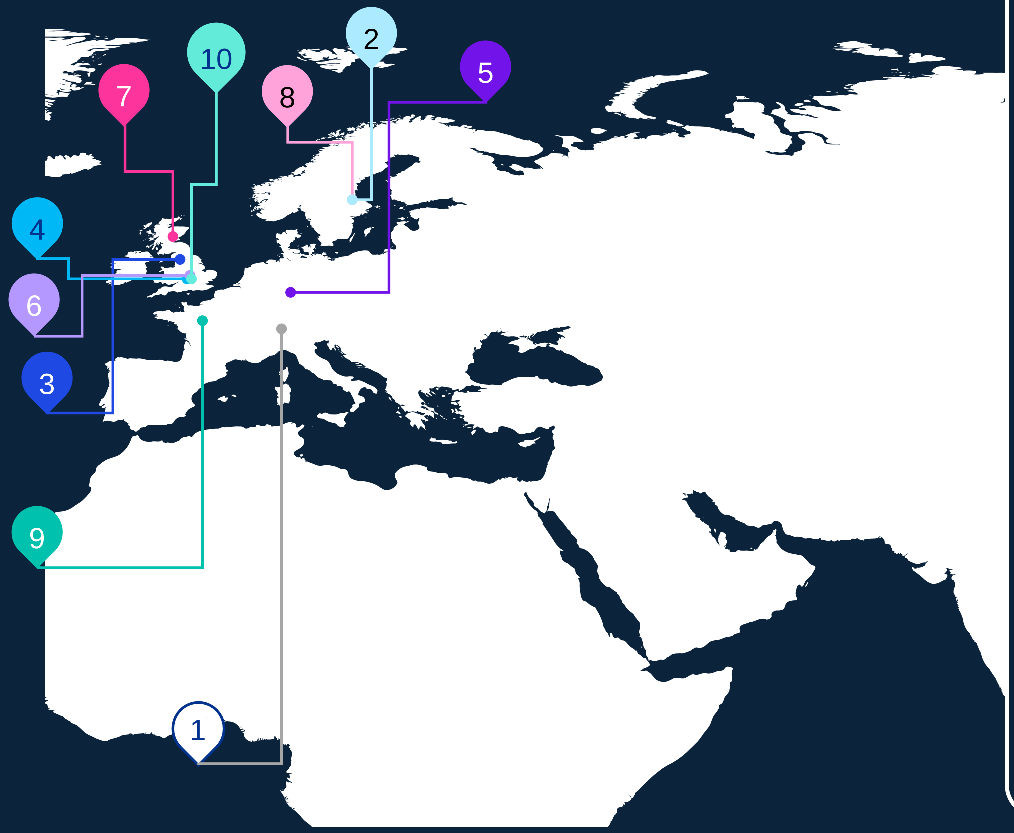
EMEA

Top 10 fintech deals in EMEA in 2022



1. **Sia (Milan)** — $3.9B, Milan, Italy — Payments — *M&A*
2. **Tink** — $2.1B, Stockholm, Sweden — Institutional/B2B — *M&A*
3. **Interactive Investor** — $1.8B, Leeds, UK — Wealth/investment management — *M&A*
4. **FNZ** — $1.4B, London, UK — Wealth/investment management — *PE growth*
5. **Trade Republic** — $1.15B, Berlin, Germany — Capital markets — *Series C*
6. **Checkout.com** — $1B, London, UK — Payments/transactions — *Series D*
7. **Nucleus Financial Group** — $839.9M, Edinburgh, UK — Wealth/investment management — *Corporate divestiture*
8. **Klarna** — $800M, Stockholm, Sweden — Payments/transactions — *Late-stage VC*
9. **Spartfin** — $742.2M, Dommartemont, France — Institutional/B2B — *Corporate divestiture*
10. **International Game Technology (Italian Payments)** — $700.9M, London, UK — Payments/transactions — *M&A*

Source: Pulse of Fintech H2'22, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 31 December 2022.

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In 2022, fintech companies in Asia Pacific received $50.5B with 1,227 deals

#fintechpulse

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Regional insights — ASPAC

Asia-Pacific sees record US$50.5 billion in fintech investment in 2022

Fintech investment in the Asia-Pacific region rose from $50.2 billion 1,604 deals in 2021 to $50.5 billion across 1,227 deals in 2022 to achieve a slight record high. Block's $27.9 billion acquisition of Australia-based buy now, pay later company Afterpay during H1'22 accounted for well over half of this total — highlighting the impact of large mega M&A transactions on fintech investment totals. There were no $1 billion+ M&A deals during H2'22, leaving fintech investment the second half of the year a fraction of that seen in the first: $5.8 billion, compared to $44.6 billion.

VC investments accounted for the largest fintech deals of H2'22, including a $405 million raise by South Korea-based financial super-app Toss, a $300 million raise by Indonesia-based payments firm Xendit and $300 million raises two Singapore-based companies: crypto firm Amber and insurtech Bolttech. Key H2'22 highlights from the Asia-Pacific region include:

B2B solutions gaining traction with investors in Asia-Pacific

In the Asia-Pacific region, there has been a growing focus over the last year on the development of B2B fintech solutions. For example, in H2'22, Indonesia-based digital payments platform Xendit raised $300 million in order to continue to expand its product lines and presence in Southeast Asia.[3]

China-based fintech companies look abroad for growth

In the wake of much tighter restrictions on domestic fintech activity, both fintech investment and deal volume in The Chinese Mainland dropped to their lowest levels since 2013: $770 million raised across 107 deals. The more challenging fintech environment has led a number of China's fintechs to look globally for growth opportunities. In 2022, for example, Ant Financial launched Alipay+ Unified Payment — a cross-border digital payments app that allows consumers to pay for goods at specific retailers in different countries (e.g., South Korea, Malaysia, the Philippines) using their local currency digital wallet.[4]

> "In China, we are seeing more partnerships between fintechs and traditional banking players that are focused on enabling the traditional players to expand the services they offer to new customer segments, such as low-income earners and small businesses. These partnerships will be essential for helping banks do more inclusive finance — which is a key priority heading into 2023."
>
> **Andrew Huang**
> Partner, Financial Services Audit
> KPMG in China

3 https://www.forbes.com/sites/yessarrosendar/2022/05/19/indonesian-unicorn-xendit-bags-300-million-in-series-d-funding/?sh=5c4706fc6a29
4 https://techcrunch.com/2022/11/04/ant-alipay-plus-alibaba-global-expansion/

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Regional insights — ASPAC

Continued focus on expanding access to fintech products

Investors in the Asia-Pacific region continued to focus on fintechs working to improve access to a variety of financial products for both individuals and small businesses — such as microlending, SME lending and B2B payments. Wealth management geared at lower wealth segments also gained some attention, with companies like Syfe and Endowus, both in Singapore, providing unique investment opportunities to individuals not targeted by traditional wealth management companies.

Digital payments remains big ticket in Southeast Asia

The payments space continued to be the biggest ticket for fintech investors in Southeast Asia in 2022. After years of acceleration, however, payments companies in the region have starting to shift their focus from customer acquisition to finding ways to extend their value and deepen their engagement with customers. Competition in the space remained very high in 2022, particularly in countries like Indonesia.

China-based fintechs focusing on industry enablement

In China, some fintechs have achieved success by focusing on enabling traditional financial institutions to improve their own operations or to provide new products and services to their customers. In the inclusive finance space, for example, fintechs have partnered with big banks to provide the technology to allow them to better assess risks related to SME loans or loans to low-income individuals.

Trends to watch for in H1’23

- Jurisdictions in the Asia-Pacific region that already have strong crypto regulatory environments — such as Japan, Singapore and Hong Kong (SAR) —attracting interest from crypto players and investors in the wake of the meltdown of FTX
- Both investors and fintechs focusing more on the development and growth of B2B fintech offerings
- The payments sector continuing to attract the largest deals in the region
- The post-listing performance of 360 DigiTech following its secondary listing in Hong Kong (SAR) and whether it helps improving prospects for fintech exits in the region.

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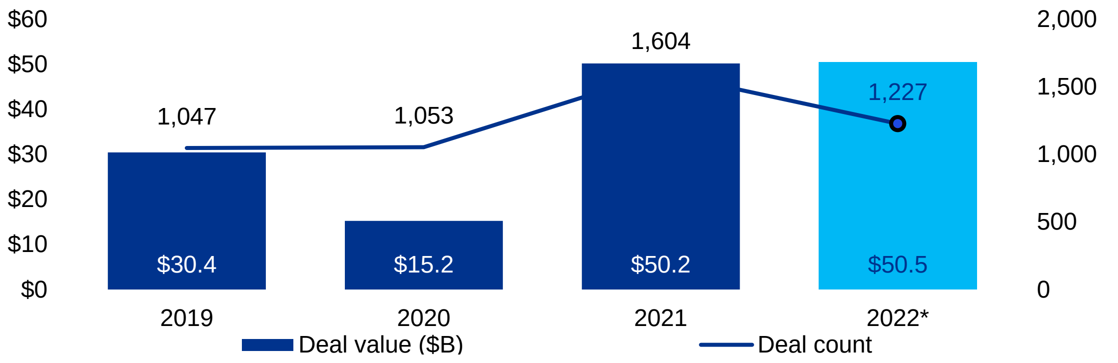
Regional insights — ASPAC

M&A deal value skewed by a mega-deal; dealmaking subsides otherwise

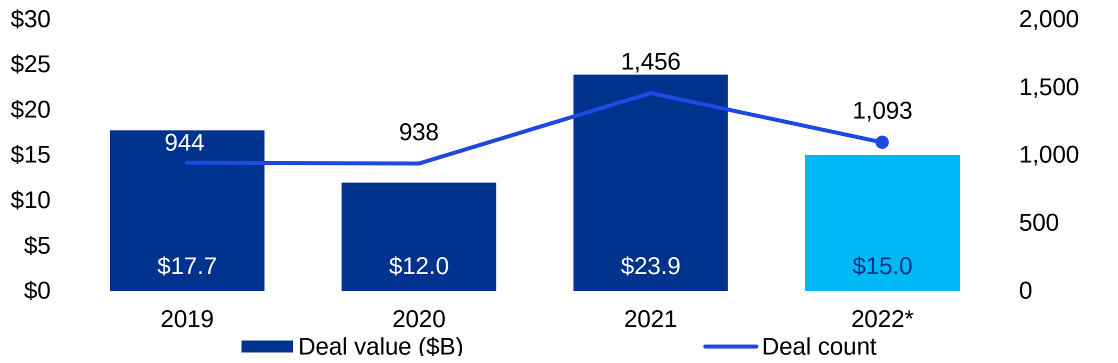
Total investment activity (VC, PE and M&A) in fintech in Asia Pacific

2019–2022*



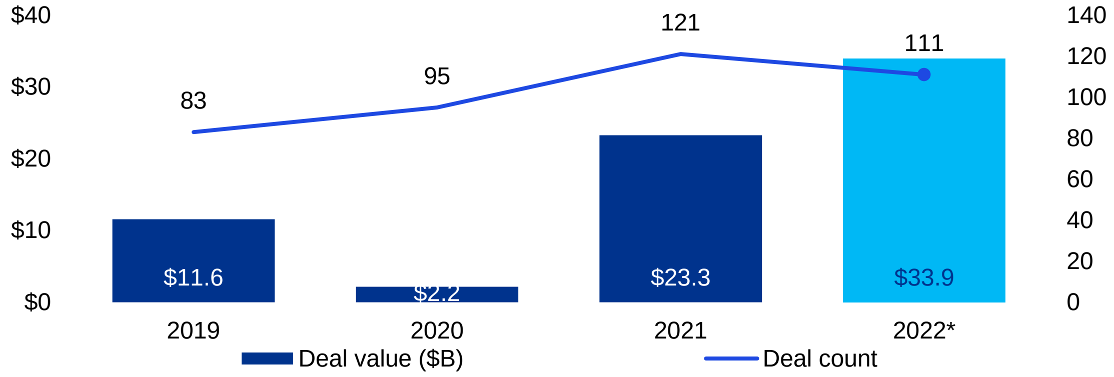
Venture activity in fintech in Asia Pacific

2019–2022*



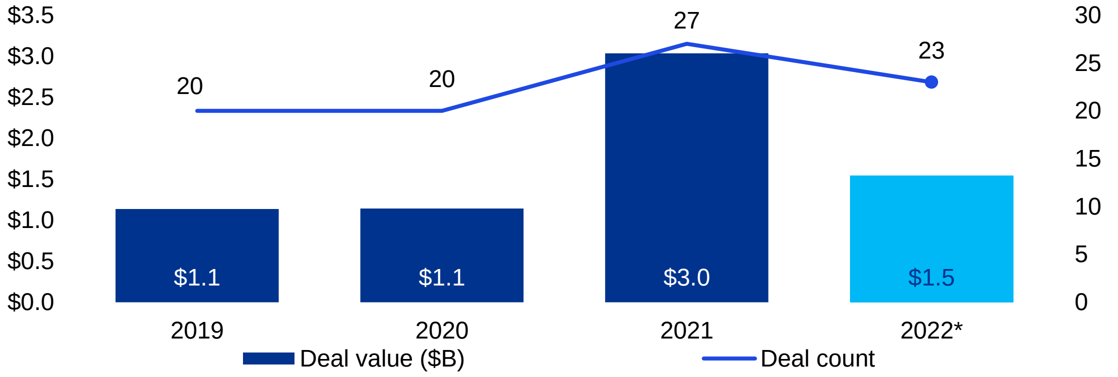
M&A activity in fintech in Asia Pacific

2019–2022*



PE growth activity in fintech in Asia Pacific

2019–2022*



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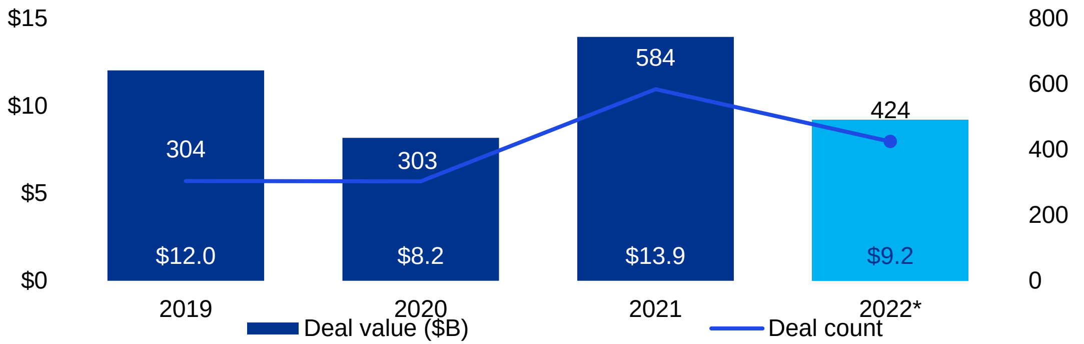
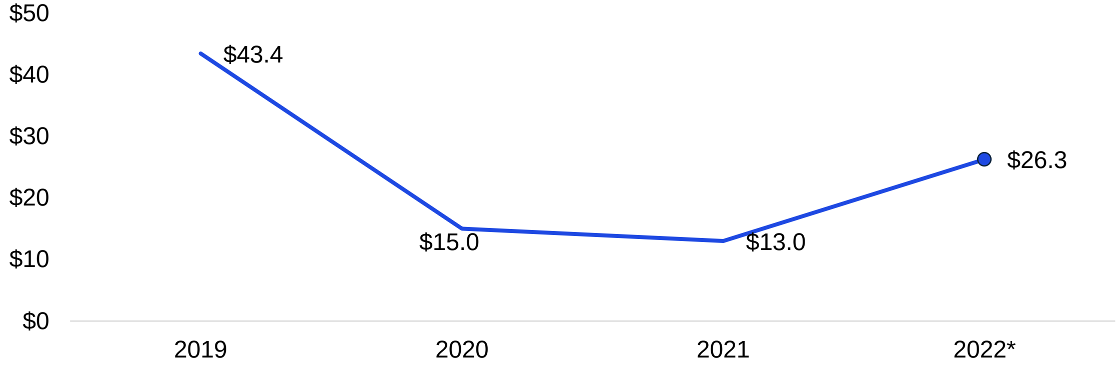
Regional insights — ASPAC

Valuations remain undaunted at the growth stage

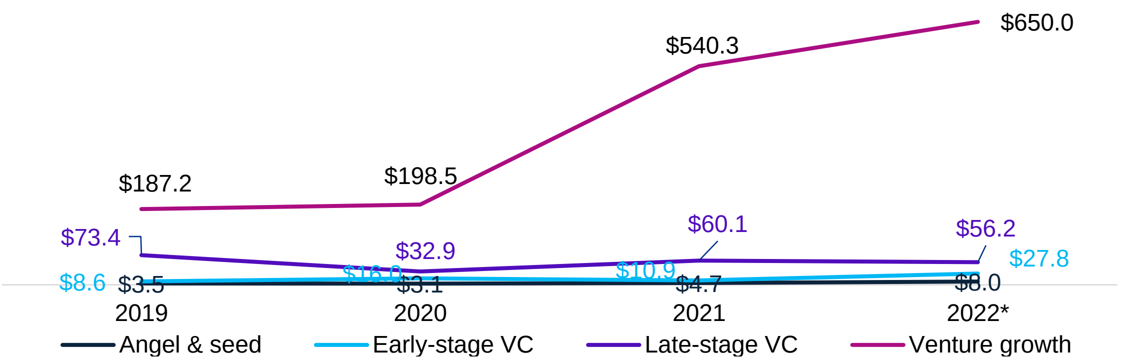
VC activity in fintech with corporate participation in Asia Pacific
2019–2022*



Median M&A size ($M) in fintech in Asia Pacific
2019–2022*



Median venture pre-money valuations ($M) by stage in fintech in Asia Pacific
2019–2022*



Source: Pulse of Fintech H2'22, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of December 31, 2022.
Source: The 2019 figure for median M&A size is based on a non-normative sample size of n = 27.

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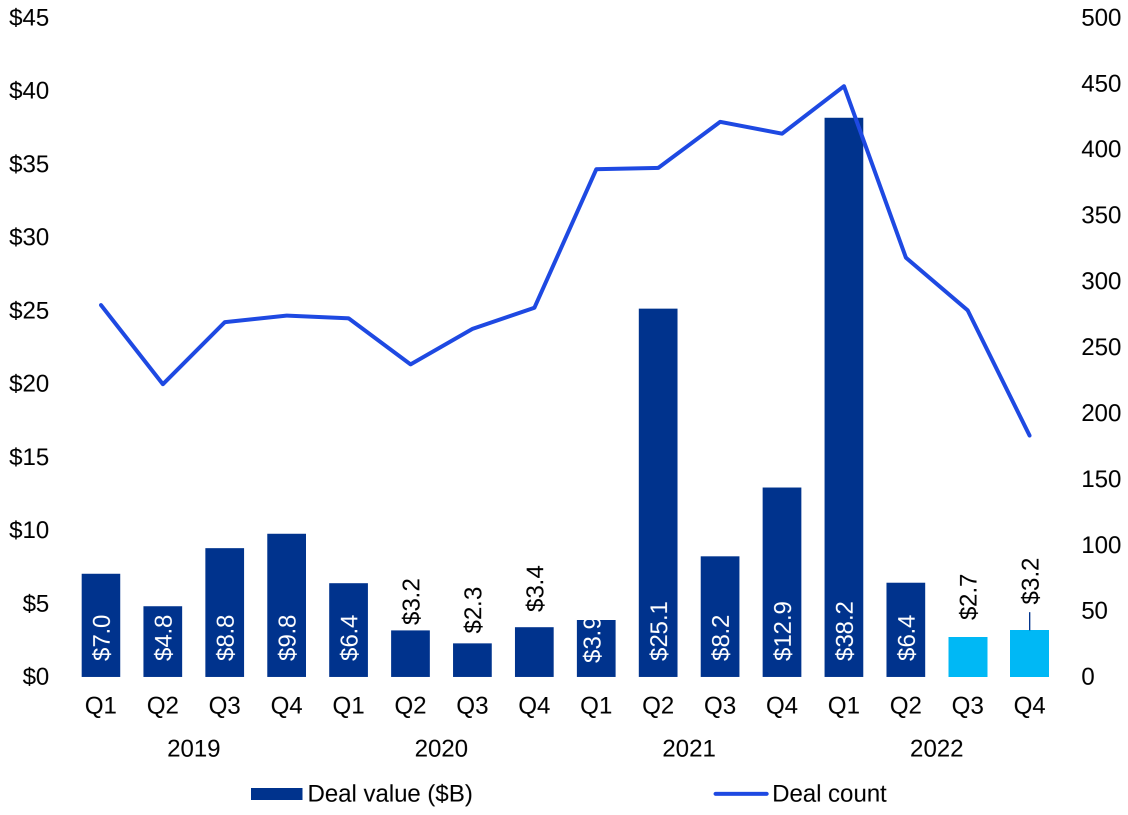
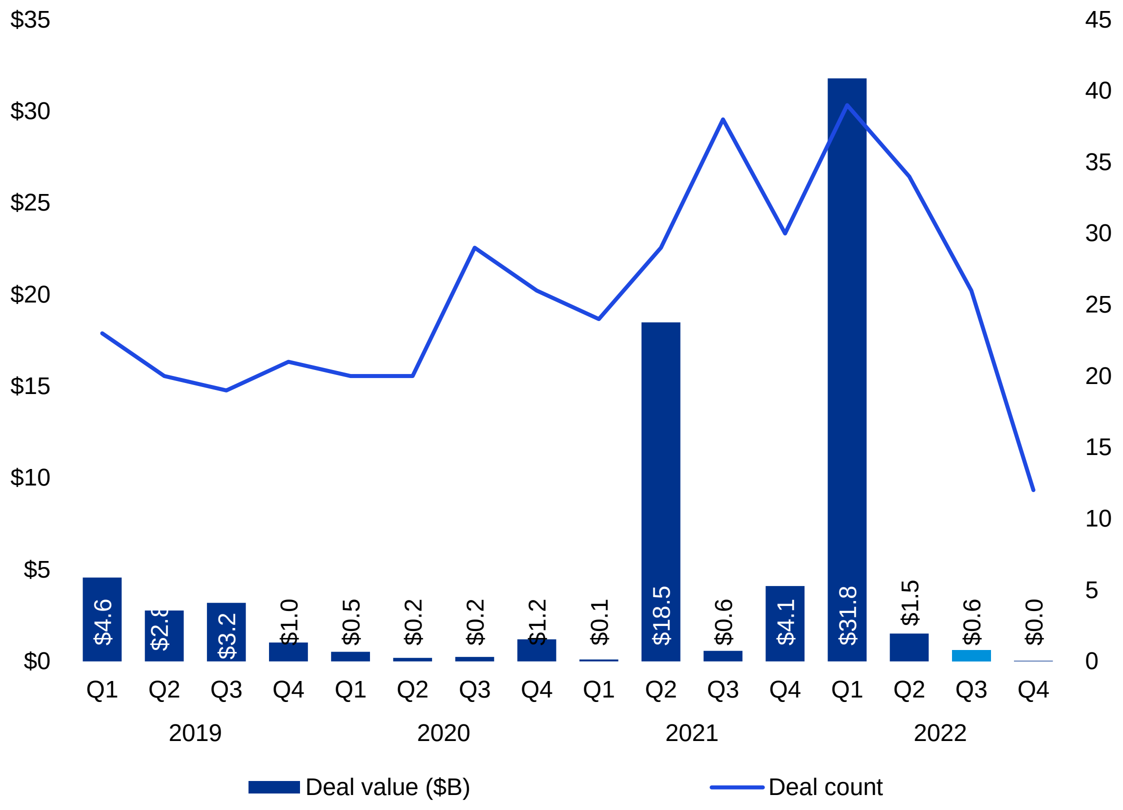
Regional insights — ASPAC

Dealmaking grinds to a halt

Total investment activity (VC, PE and M&A) in fintech in Asia Pacific
2019–2022*



M&A in fintech in Asia Pacific
2019–2022*



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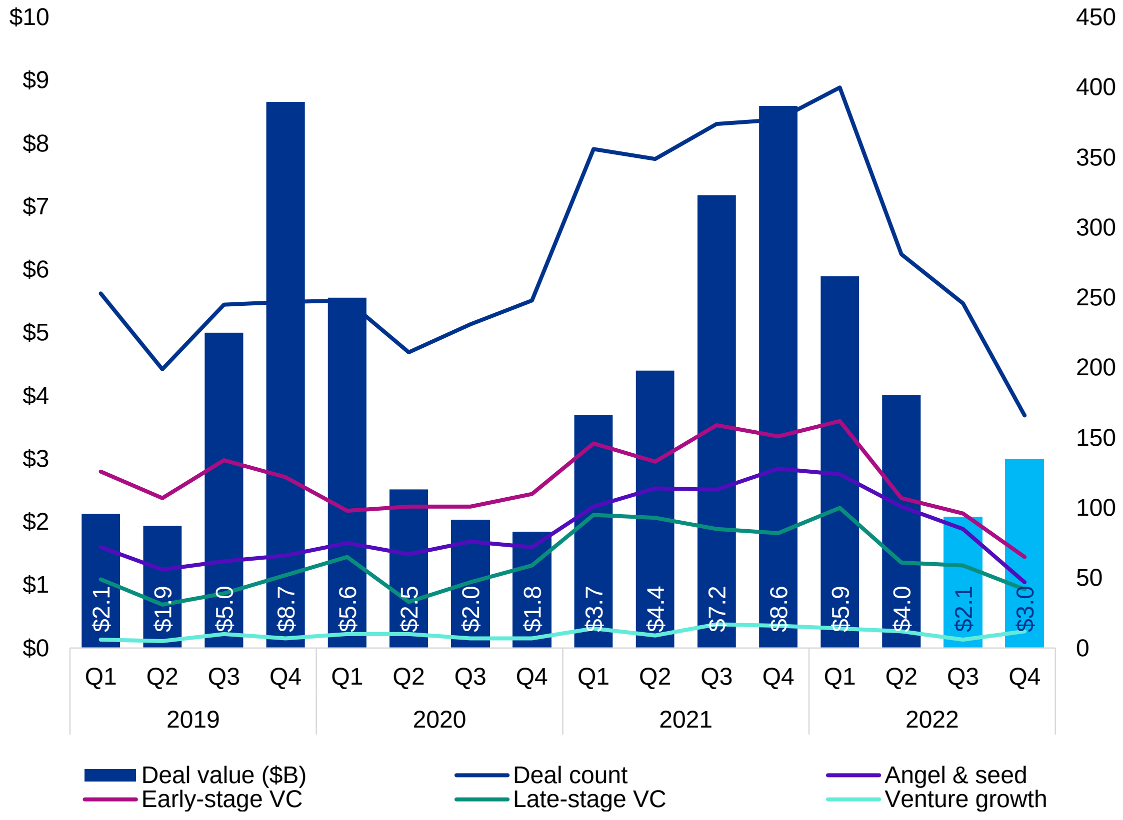
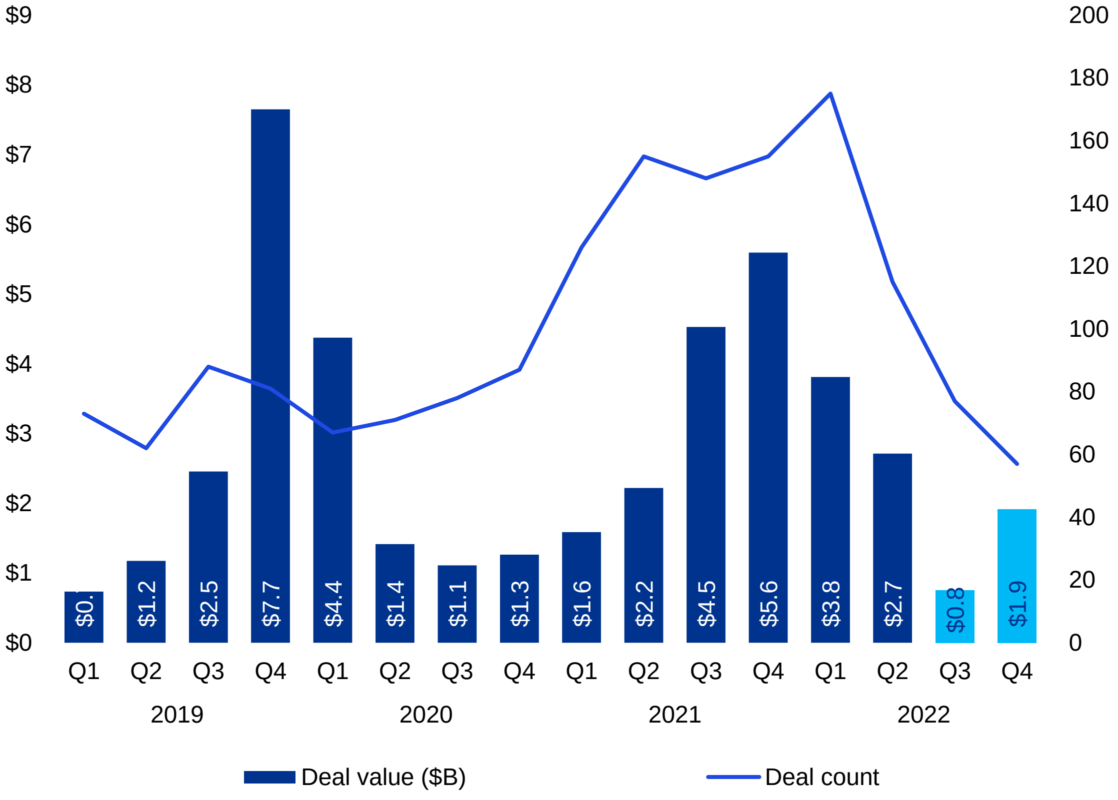
Regional insights — ASPAC

VC financing activity continues to slide

Venture activity in fintech in Asia Pacific
2019–2022*



VC activity in fintech with corporate participation in Asia Pacific
2019–2022*



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Asia Pacific

Top 10 fintech deals in Asia Pacific in 2022

1. **Afterpay** — $27.9B, Melbourne, Australia — Payments — *M&A*
2. **Yayoi** — $2.1B, Tokyo, Japan — Institutional/B2B — *Corporate divestiture*
3. **Coincheck** — $1.25B, Tokyo, Japan — Cryptocurrency — *M&A*
4. **Superhero** — $1.06B, Sydney, Australia — Wealth/investment management — *M&A*
5. **Coda Payments** — $690M, Sydney, Australia — Payments/transactions — *Recapitalization/growth*
6. **Polygon** — $450M, Bengaluru, India — Blockchain/cryptocurrency — *Late-stage VC*
7. **Toss** — $405M, Seoul, South Korea — Payments/transactions — *Series G*
8. **Xendit** — $300M, Jakarta, Indonesia — Payments/transactions — *Series D*
9. **Amber Group** — $300M, Singapore — Cryptocurrency — *Series C*
10. **Bolttech** — $300M, Singapore — Insurtech — *Series B*

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About us

KPMG's Global Fintech practice

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

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

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

Visit kpmg.com/fintech

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About the report

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- **Andrew Huang**, Partner Financial Services Audit, KPMG in China
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- **Dave Remue**, Director, Head of Fintech, KPMG Advisory, KPMG in Belgium
- **Robert Ruark**, Principal, Financial Services Strategy and Fintech Leader, KPMG in the US
- **Anna Scally**, Partner, Head of Technology & Media, Fintech Leader, KPMG in Ireland
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- **Debarshi Bandyopadhyay**, Director, Financial Services, KPMG Singapore
- **Kenji Hoki**, Director, Financial Services, KPMG Japan
- **Leah Fegan**, Director, Global Marketing, Financial Services
- **Olivia Mount**, Digital Marketing Manager, Global Marketing, Financial Services

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About the report

Methodology

The underlying data and analysis for this report (the “Dataset”) was provided by PitchBook Data, Inc (“PitchBook”) on 12 January 2022 and utilizes their research and classification methodology for transactions as outlined on their website at https://pitchbook.com/news/articles/pitchbook-report-methodologies. The Dataset used for this report considers the following investment transactions types: Venture Capital (including corporate venture capital) (“VC”), private equity (“PE”) Investment and Mergers and Acquisitions (“M&A”) for the FinTech vertical within the underlying PitchBook data. Family and friends, incubator and accelerator type funding rounds are excluded from the Dataset.

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

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

Venture capital deals

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

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

Corporate venture capital: Financings classified as corporate venture capital include rounds that saw both firms investing via established CVC arms or corporations making equity 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.

Private equity investments

PitchBook includes both buyout investors, being those that specialize in purchasing mainly a controlling interest of an established company (in a leveraged buyout) and growth/expansion investors, being those that focus on investing in minority stakes in already established businesses to fund growth. Transaction types include: leveraged buyout (“LBO”); management buyout; management buy-In; add-on acquisitions aligned to existing investments; secondary buyout; public to private; privatization; corporate divestitures; and growth/expansion.

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About the report

Methodology (cont'd)

M&A transactions

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

The fintech vertical

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

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

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