

# Fintech

## Market Analysis

## Q3/2022 Trends

November 2022

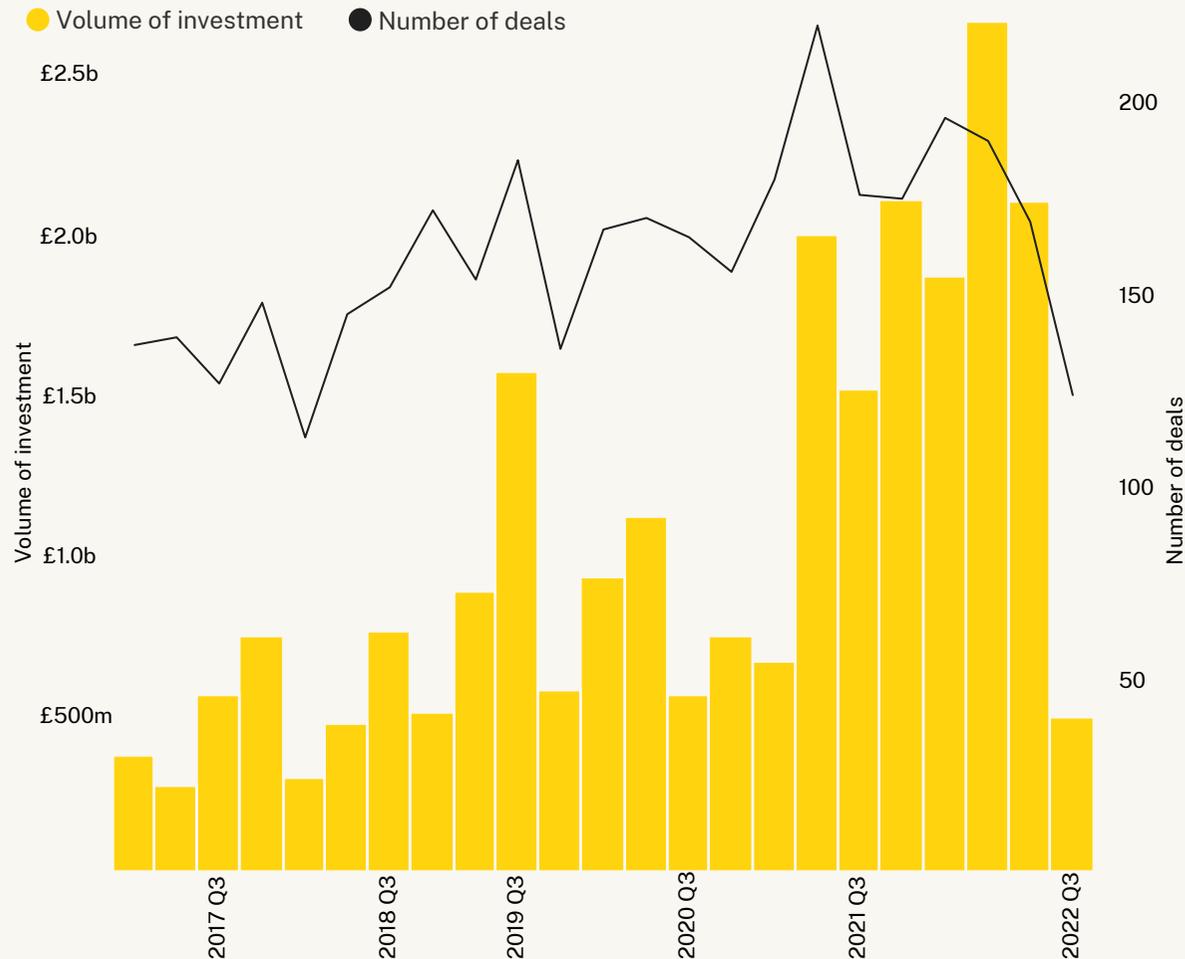
# Quarterly volumes

On an annual basis, the volume of equity investment into fintech companies has steadily increased since 2017 alongside the number of deals these companies complete. Between 2017 and Q3 2022, UK fintech companies raised £24.1b from 3,713 deals. Despite a pullback in the volume of equity investment in 2020 (£3.11b compared

to £4.0b in 2019) due to the macroeconomic impacts of the COVID-19 pandemic and Brexit, investment volumes rallied in 2021 and 2022, with the latter benefitting from 12 deals worth £100m or more. Q3 2022 saw a fall in investment volume to £491m from £2.13b in Q2 and this can be attributed to the looming macroeconomic

conditions. In spite of this fall in investment, 2022 has still proven to be more fruitful in terms of equity investment volume than the years prior to 2021. The remainder of this year may see investors turn their focus to mission critical B2B fintechs, which will have steadier revenue streams in these tougher economic conditions.

Equity investment into fintech companies by quarter (2017-Q3/2022)



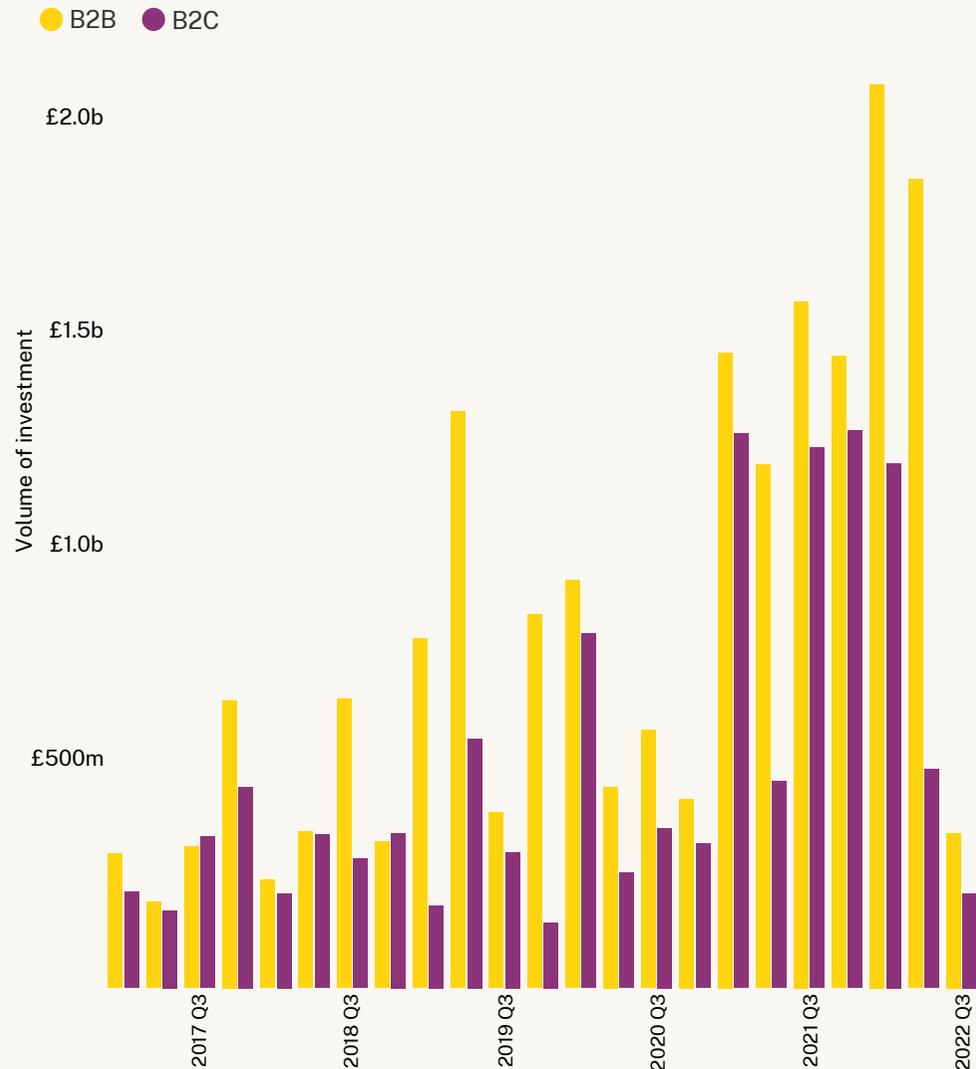
“With the recent changes in macroeconomic outlook, it’s no surprise we’ve seen an overall fall in investment volume in Q3 and whilst equity investment levels remain relatively healthy, we have noticed a shift towards more debt deals. Despite the uncertainty and increased scrutiny over valuations, there is increasing interest from overseas funds eyeing a good deal, together with areas of fintech funding which are proving particularly resilient. Levels of investment in insurtech for example, overtook payments to raise to the highest level of overall investment in Q3 in Europe at \$697m.

Furthermore, the FinTech industry is hopeful that the new Prime minister will continue his support of innovation in the UK, which will mean the landscape for startups will look increasingly promising. Whilst the ‘clouds ahead’ are receiving the headlines I believe there are certainly some silver linings and opportunities to be seized.”

**Louise Brett**  
 Head of FinTech and Financial Services Innovation, Deloitte Europe

# Market analysis

Equity investment into B2B and B2C fintech companies (2017-Q3/2022)



## Reasons for cautious optimism

While Q3 of this year has indicated a decrease in investors' appetite for private companies across all sectors, the significant sums raised in the first half of 2022 puts the high-growth ecosystem in good standing. This is particularly apparent with high-growth fintechs, which have already raised more in equity investment than all previous years this decade, bar the record levels of investment seen in 2021.

In the first three quarters of this year, 27 high-growth fintech companies had been acquired. The data suggests that, were the rate of exits for these companies to stay the same, 2022 will end with more UK fintech acquisitions than the figures seen in the past decade, excluding the highs seen in 2021 (41). This high exit activity can be seen as positive for the industry, with it being probable that this capital will be redistributed by knowledgeable founders and investors through establishing new ventures or angel activity.

While the data indicates a drop in equity investment into the ecosystem going into the second half of 2022, it may not be entirely reflective of the capital flowing into the sector in these tougher conditions. During such uncertain times, companies are more likely to draw on convertible debt rounds (at a valuation to be determined later) to allow themselves more breathing room. The true investment figures are therefore likely to be greater than those seen, particularly for Q3 of this year, and so more companies should be capable of sustaining their activities than may be expected.

## Spotlight deals: seed and venture stage



### Seed stage deals

Seed stage companies refer to the youngest and smallest high-growth businesses in the ecosystem. They typically have a low valuation and have received a limited volume of equity investment for its sector. The company is likely to have a small team, and may still be developing the market-fit of its product or seeking regulatory approval.

#### Super Payments

Size of equity deal	£22.5m
Round number for company	1

Launched in 2022 by Samir Desai, the former CEO of Funding Circle, Super Payments develops AI-based payment processing software that rewards customers with cashback and aims to improve sales for retailers. The company secured £22.5m in August 2022 from Accel, LocalGlobe, Union Square Ventures and business angels.

#### Sequence

Size of equity deal	£16.7m
Round number for company	2

Co-founders Riya Grover and Eamon Jubbawy founded Sequence in 2021, developing APIs that allow users to create billing and payment stacks. The London-based fintech secured £16.7m in equity investment in September 2022 from Andreessen Horowitz among other investors, bringing total investment to £28.1m.

#### Market Dynamics

Size of equity deal	£520k
Round number for company	1

Headquartered in Cardiff, Market Dynamics offers a no-code platform that allows users to create and test algorithmic trading strategies. Having launched in 2021, the company raised its first equity round of £520k in July 2022 at a pre-money valuation of £1.20m.



### Venture stage deals

Venture companies have usually been around for a few years and have gained traction in technology offerings or regulatory approval processes. Both the valuation and funding secured may be a few million pounds. A common source of investment at this stage is venture capital firms.

#### Wagonex

Size of equity deal	£361k
Round number for company	8

Founded by Toby Kernon, Cardiff-based Wagonex offers a marketplace and online platform for vehicle subscriptions. Since its incorporation in 2016, the company has secured £4.48m in equity investment across eight rounds, with investors including the Development Bank of Wales and Admiral Pioneer.

#### Oxbury

Size of equity deal	£20.0m
Round number for company	6

Chester-based Oxbury operates a specialist agricultural bank, offering farm loans and savings accounts to those within the agricultural sector. Founded by the former CEO of ClearBank James Farrar and Timothy Coates, the company was incorporated in 2018 and has since raised £88.1m in equity investment.

#### Atlantic Money

Size of equity deal	£2.50m
Round number for company	2

Founded by former employees of trading app Robinhood, Atlantic Money allows customers to send money abroad for a fixed fee of £3 via its mobile app. The Manchester-based company launched in 2020 and is backed by Index Ventures, Kleiner Perkins, and 20VC.

## Spotlight deals: growth stage and acquisitions

### Growth stage deals

Companies at the growth stage typically have existed for more than five years and have multiple offices or branches, sometimes in multiple countries. These businesses may have substantial revenues, some profit, highly valuable technology or secured full regulatory approval.

#### ● Monese

Size of equity deal	£30.8m
Round number for company	8

Launched in 2015, Monese offers a money management app that allows customers to open multi-currency accounts. Founded out of CEO Norris Koppel's difficulties in opening a bank account in the UK, the company has gone on to serve over 2 million customers across 31 countries.

#### ● Zego

Size of equity deal	£17.3m
Round number for company	9

Zego provides commercial motor insurance for both independent drivers and company fleets, partnering with the likes of Uber and Deliveroo. The London-based insurtech secured £17.3m in equity investment in August 2022, bringing the company's total investment to £227m since its inception in 2016.

#### ● Assetz Capital

Size of equity deal	£2.63m
Round number for company	7

Headquartered in Manchester, Assetz Capital was incorporated in 2012 and operates a peer-to-peer lending platform. With a pre-money valuation of £42.8m, the company secured £2.63m in equity investment in September 2022, bringing total investment to £12.9m.

### Acquisitions

An acquisition occurs when a company sells a majority of its existing shares to another company or fund. Industry acquirers may be seeking to use the company's intellectual property, claim their market share, or enter new markets. Businesses that have been acquired have exited the high-growth ecosystem.

#### ● Fluent Money

Consideration paid	£72.7m
Acquirer	Mortgage Advice Bureau

Founded in 2008, Fluent Money operates a financial brokerage that allows users to apply for loans and mortgages online and via the company's app. The Bolton-based company acquired Brytannic Extra Finance in June 2017, prior to it being acquired by Mortgage Advice Bureau in July 2022.

#### ● Seedrs

Consideration paid	£86.5m
Acquirer	Republic

Co-founders Jeff Lynn and Carlos Silva launched Seedrs in 2009, offering an FCA-regulated equity crowdfunding platform. After raising £34.9m in equity funding over nine rounds, the company was acquired during its growth stage in September 2022 by Republic, a US-based equity crowdfunding platform and financial services company.

#### ● Urgentem

Consideration paid	Unknown
Acquirer	Intercontinental Exchange

Founded in 2016, Urgentem provides the finance industry with a climate risk analytics platform, carbon emissions data, and climate-related investment strategy services. The London-based fintech raised £3.27m in equity investment over six rounds prior to being acquired by Intercontinental Exchange in July 2022.

## About

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We are committed to making an impact that matters for our clients, our people and society, and see FinTech as a core component in how innovation in financial services can create a better future for all.

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