

Fintech deals in Continental Europe

Developments in 2018-2020

March 2021



This document contains information obtained or derived from a variety of sources. We have not sought to establish the reliability of those sources. This is a discussion document. Accordingly, this document is for information purposes only and should not be relied upon by anyone for any purpose whatsoever and should not be used as a substitute for consultation with professional advisors. We do not accept any responsibility or liability to you or to any party in respect of this document.

Content

What are the key regions of Fintech investment activities (Continental Europe vs UK)

Which Fintech sectors attract most investor interest

Which funding rounds/stages are prevailing? (Continental Europe vs UK)

Who are the most active investors in Continental Europe

What's next for European Fintech

Introduction

The COVID-19 pandemic has obviously had its impact on global and European Fintech deal volumes, especially in the first half of 2020. The second half of 2020 came back really strong though and Continental Europe is increasingly catching up with the UK in terms of number and size of funding rounds. It's likely to result in increasing M&A activity in Continental Europe in coming years, especially for Fintechs that build on the digital momentum created by COVID-19.

2019 was a record year for global Fintech investments

In 2019, global Fintech M&A skyrocketed while global funding rounds were behind the record setting funding volume of around €48 billion in 2018. However, when we exclude Ant Financial's \$14 billion funding round from 2018, the 2019 volume of €40 billion can be considered a record.

In 1H20, global M&A activity clearly slowed down due to the impact of COVID-19 as we saw in other sectors but the second half of 2020 showed an acceleration, making 2020 a new record year

We observe that Fintech companies that are more mature, less capital intensive and therefore less risky are better positioned to acquire funding compared to younger Fintech companies with cash-consumptive business models that require larger amounts of continuous funding throughout the crisis.

We also observe that certain sectors within Fintech leverage their competitive advantage in a changing landscape that is increasingly dependent on digital solutions. Global Fintech funding dropped as well in 1H20 but not as hard as M&A. Ending 2020 in a record year is a clear sign that investors have a positive outlook and belief in the Fintech sector, especially the ones proven to have resilient business models or even thrive due to the accelerated pace of changing consumer and business behavior (i.e. further digitisation).

Fintechs in Payments, Investments and Banking software companies for example continue to attract investments due to these changes in consumer and business behavioral patterns.

When we zoom in on the European Fintech markets we also see a reduction in deal volumes, both M&A and funding rounds, especially caused by the slowdown in the first half of 2020. The second half of 2020 came back very strong

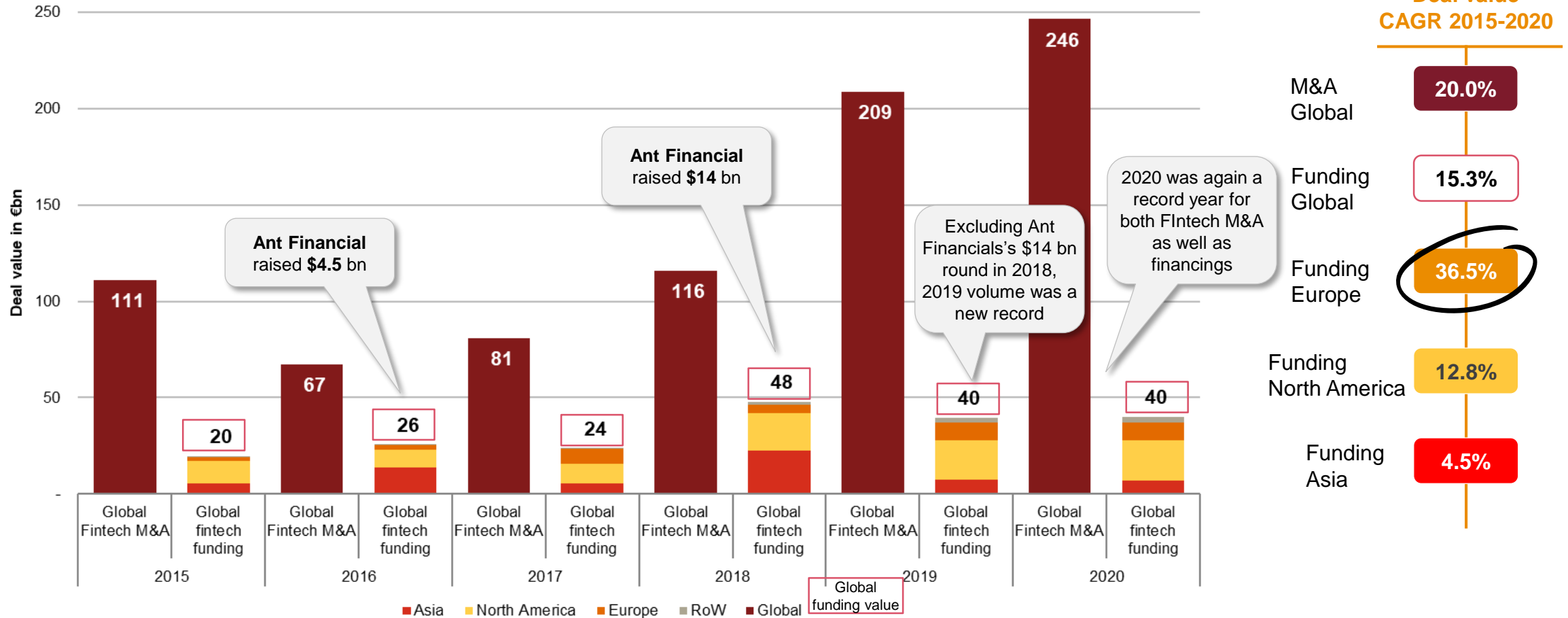
While Europe is covered in most public coverage on Fintech deal activity, it is largely focused on the UK as it is the largest Fintech market in Europe. We will therefore zoom in on the other key regions in Continental Europe to provide alternative insight.

We see an ongoing trend of Continental Europe catching up with the UK in terms of number and size of funding rounds and a continued Fintech appetite from investors, indicating increasing M&A activity in coming years

We therefore believe that the long-term outlook for the Fintech sector remains positive, despite the COVID-19 shock that was delivered to a number of sub-sectors.

Global Fintech M&A volume reached an all time high in 'COVID-year' 2020

Global fintech deal value - Global M&A and Funding per region (€ in billions)



Source: FT Partners, PwC Analysis

Regional deep dive

*What are the key regions for Fintech investments in Europe?
(Continental Europe vs. UK?)*

Which Fintech sectors attract the most investor interest?

*Which funding rounds/stages are prevailing?
(Continental Europe vs UK)*

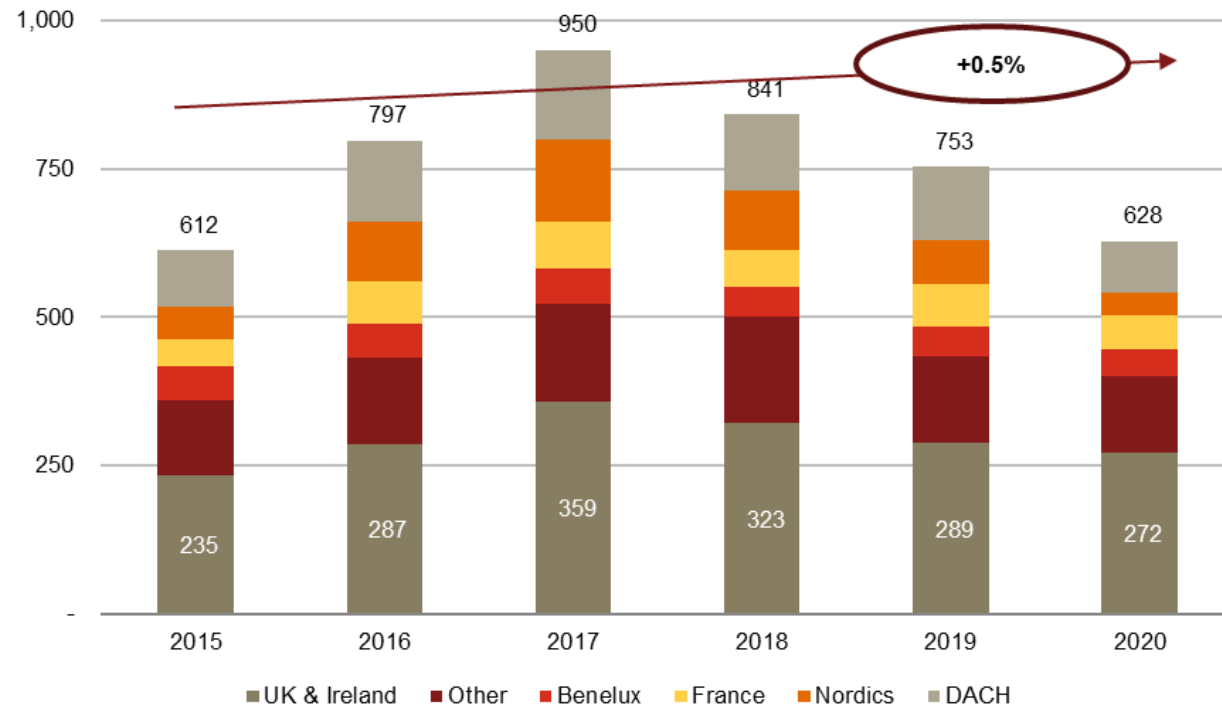
Who are the most active investors in Continental Europe?

What's next for European Fintech?

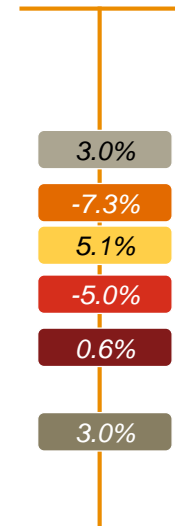
Continental Europe is catching up with UK: DACH, Nordics, France and Benelux are the 4 core regions (1/2)

European Fintech – Historical funding and M&A (exit) activity by region

Deal count (# of deals)



CAGR 2014-2020



Deal count

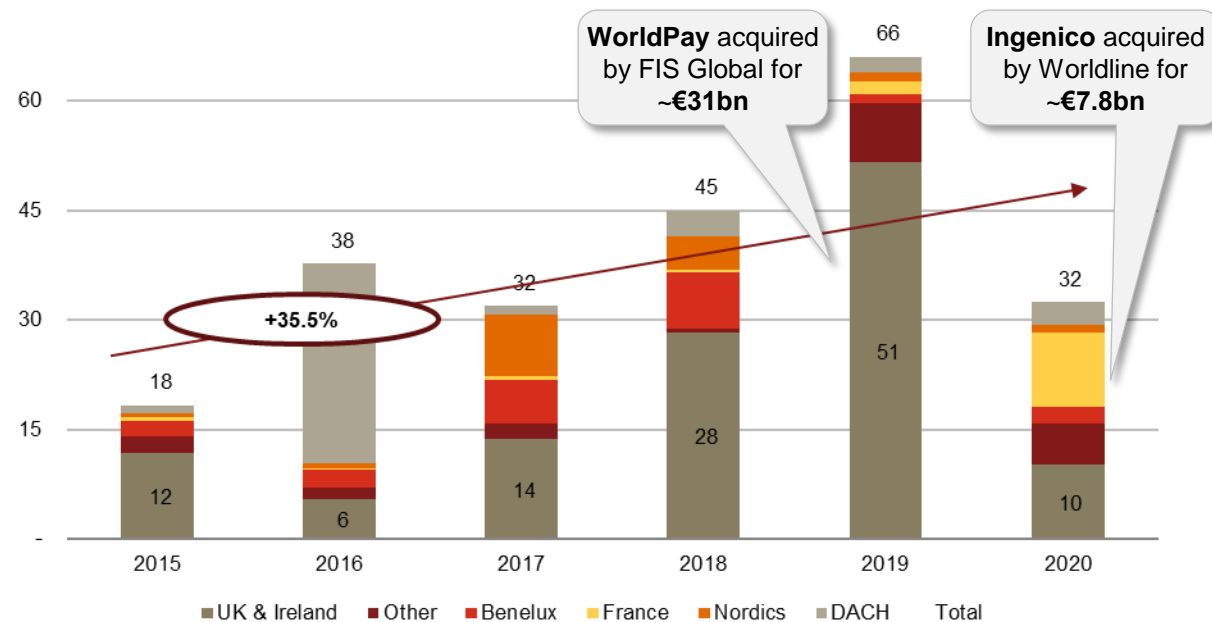
In 2019, total European deal count decreased from 841 in 2018 to 720.

In 2020 we observe a sharp decline in investment and M&A activity. Venture Capital investments however remained relatively high and strategic deals from challenger banks kept being carried out. This is due to the fact that although COVID-19 is a threat for most businesses, it is also an opportunity for disruptive technologies to play into trends like changing consumption and business patterns with an increased demand for digital solutions.

Continental Europe is catching up with UK: DACH, Nordics, France and Benelux are the 4 core regions (2/2)

European Fintech – Historical funding and M&A (exit) activity by region

Deal value¹ (€ in billions)



1. Amount of funding rounds or exits where available
Source: Dealroom, PwC Analysis

Deal value

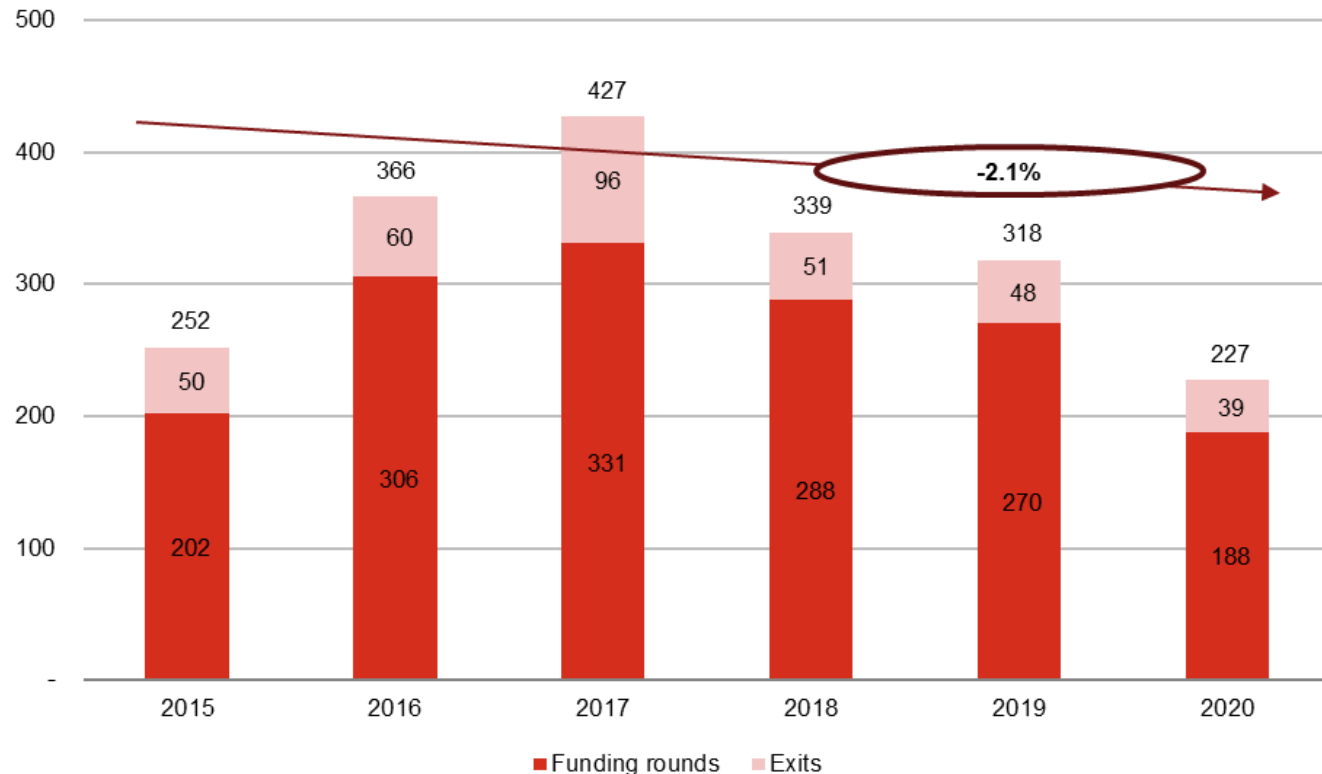
While the total number of European Fintech deals declined in 2019, the volume (value) of Fintech deals grew, mainly due to large M&A transactions in the UK. Further development of the Fintech sector in other European countries, the larger range of Fintech offerings, increasing digitization of the financial services sector as a whole and increased appetite from investors also helped boost investments and M&A. Major deals that make up a large part of the total European transaction volume are the acquisition of Worldpay by FIS Global for around €31bn and the Acquisition of Refinitiv by London Stock Exchange group for around €23bn.

In 2020 we observe a sharp decline in Fintech funding of around 50% compared to 2019, driven by a slow start of the year due to the COVID-19 pandemic. A large outlier in Continental European Deal value is France: the French payment servicer Worldline acquired its local rival company Ingenico for €7.8bn in order to strengthen its European position and increase its competitiveness in the global payment services sector. This deal makes up almost 25% of total Continental European deal value.

Number of funding rounds and exits in Continental Europe is impacted by the COVID-19 pandemic but not as severe as in other sectors

Core Continental European Fintech regions only – Historical funding and M&A (exit) activities

Deal count (# of deals)



Deal count Core Continental European regions

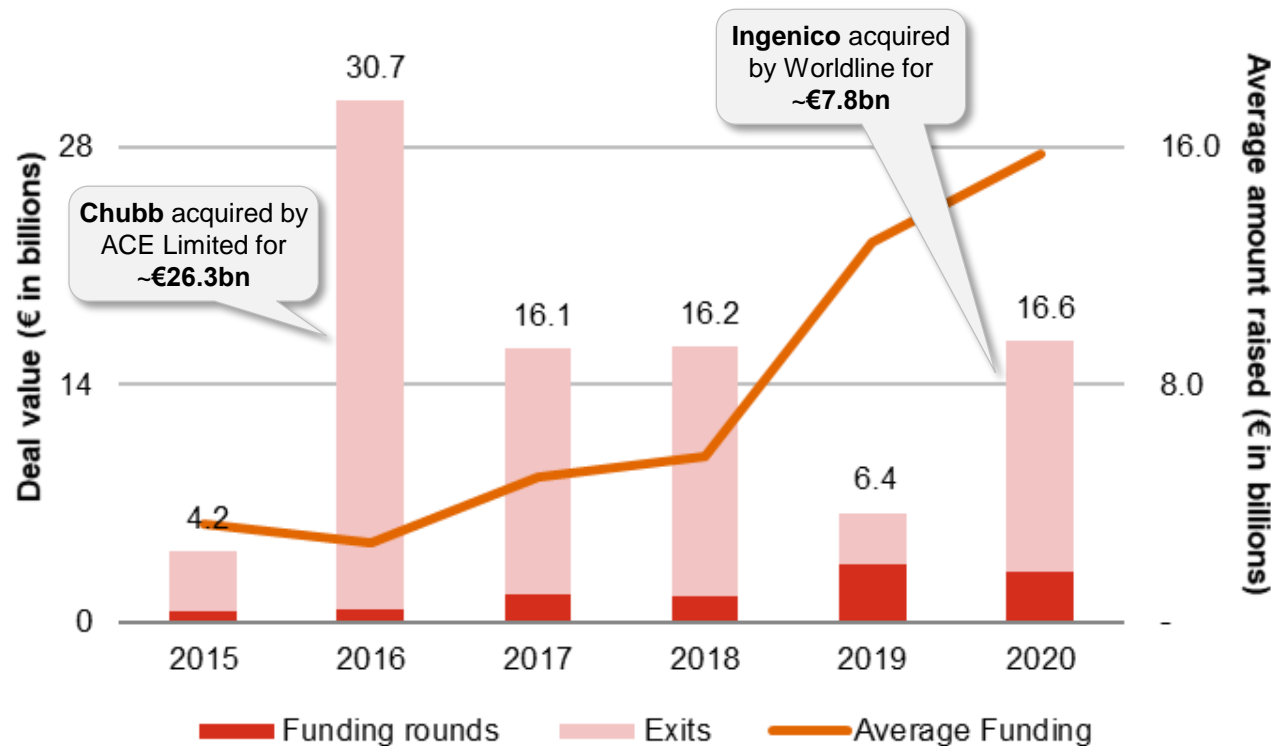
In 2020 we see that both funding and exits are relatively lower compared to previous years, impacted by the COVID-19 pandemic mainly in the first half of the year. But the drop is not as sharp as we see in other sectors and 2H20 saw an acceleration of investments, indicating a relatively high appetite for Fintech investments.

Regarding exits, we see that Fintech exits through IPO's follow the trend of IPO exits in the broader economy, which were put on hold or postponed, partly due to the uncertainty induced by COVID-19.

Average funding size grew significantly in Continental Europe across all deal stages in 2019 and 2020

Core Continental European Fintech regions only – Historical funding and M&A (exit) activities

Deal value¹ (€ in billions)



Deal value Core Continental European regions

Exit values were impacted by large outliers that skew the annual deal values like the 2016 acquisition of Chubb by ACE Limited for approximately €26.3bn and the 2020 acquisition of Ingenico by Worldline for approximately €7.8bn so there is no clear trend.

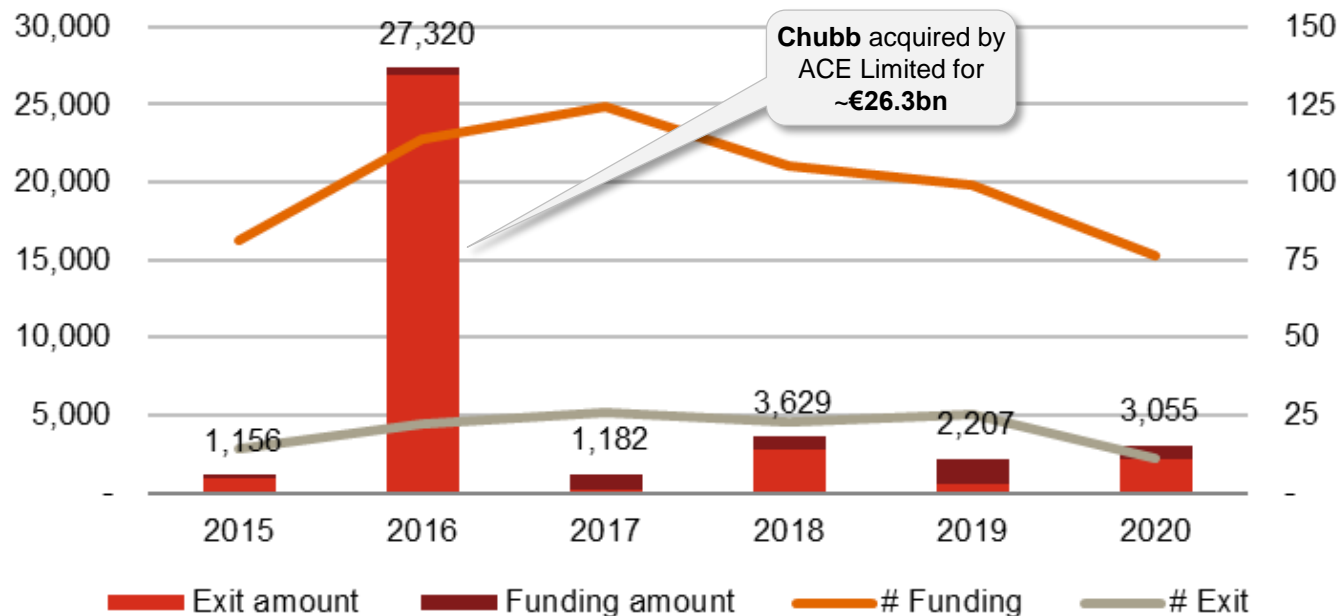
The average funding size grew significantly though in Europe across all deal stages in 2019 and 2020. It indicates a growing maturity of Fintechs across the Continental European region which leads to larger funding rounds. The increasing funding requirement of Fintechs is mainly caused by both a growth in product offerings as well as growth in the geographical span, i.e. they are scaling up. We expect this trend to continue and is expected to lead to larger exits in coming years.

1. Amount of funding rounds or exits where available, 2. based on total known deal value and deal counts
Source: Dealroom, PwC Analysis

Deepdive into the DACH region

Germany, Switzerland, Austria

DACH transaction value and transactions



DACH

Despite the fall in transaction value and transactions in the first half of 2020, the second half of 2020 came in strong with c. €2,5bn in transaction value of which €2bn in exits. Some large investments were raised across the DACH region. For example, German mobile bank N26 raised approximately €508m.

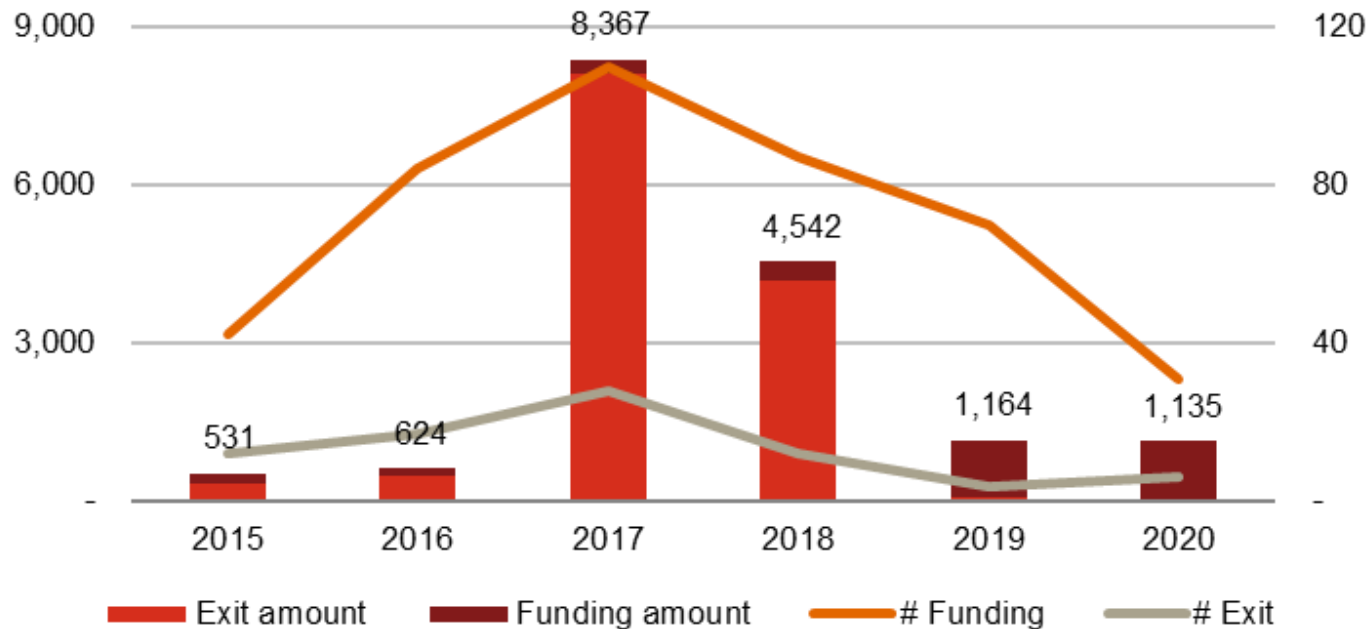
Banking in the DACH region is the Fintech subsector that is expected to be the most resilient in the current COVID-19 crisis. This is due to a shift in consumer behavior to digital banking and the fact that companies are improving their digital operations. Fintech companies active in the banking subsector are able to attract a strong level of investments.

We observe that Fintech companies that are more mature, less capital intensive and therefore less risky are better positioned to acquire funding compared to younger Fintech companies with cash-consumptive business models that require larger amounts of continuous funding throughout the crisis.

Deepdive into the Nordics region

Denmark, Finland, Norway, Sweden

Nordics transaction value and transactions



Nordics

In 2017 we observed a peak in Nordic Fintech investments, partially attributable to funds raised by BIMA and iZettle, Swedish companies respectively active in the Insurance and Payments sectors. After 2017 we observe that both total transaction value and the number of transactions decline sharply.

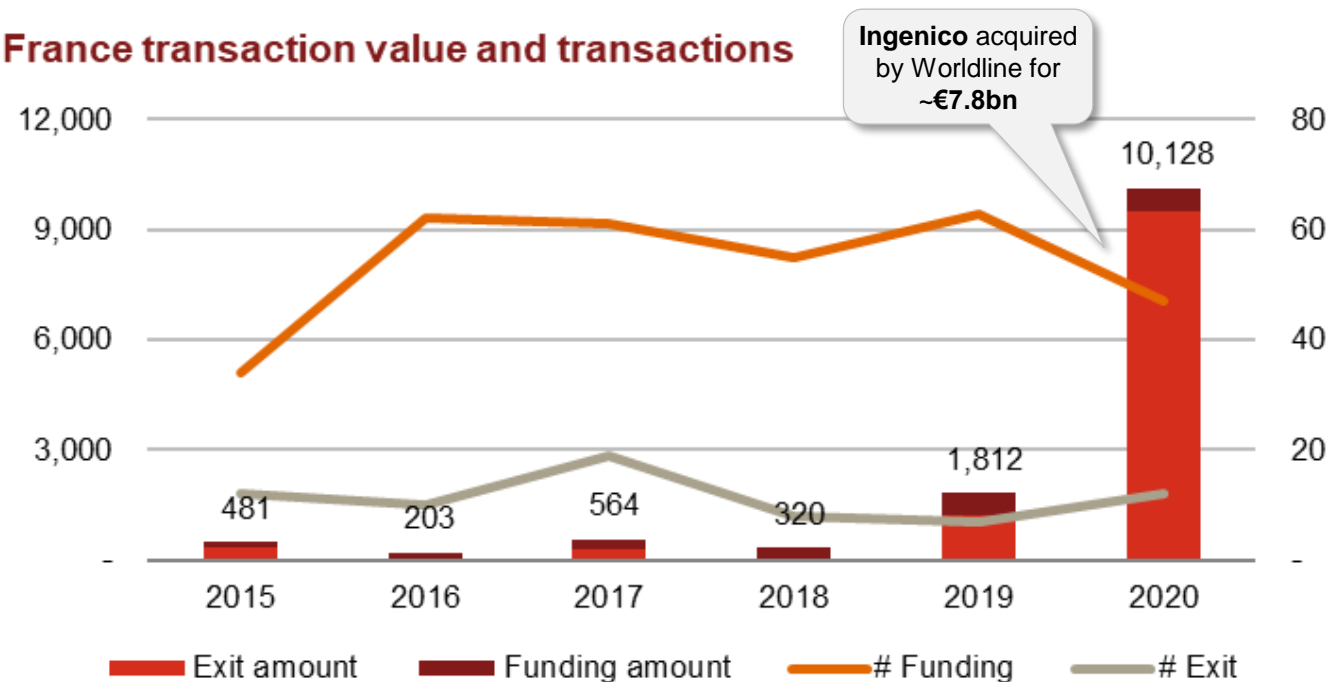
In the Nordics, Payments is the Fintech subsector that is driving most investments. We observe that incumbent banks have strong appetite for Fintech investments in the payments and regtech subsectors.

In the first half of 2020 digital bank Klarna (Sweden) attracted €178m in investments, but other than that we saw a sharp drop in funding activity due to COVID-19 induced uncertainty. The second half of 2020 however showed acceleration with over €0.7bn of funding raised, bringing 2020 back to 2019 fundraising levels.

France deepdive

France

France transaction value and transactions



Source: Dealroom, PwC Analysis

France

In France, the acquisition of Ingenico by Worldline in 1H20 is historically the largest deal in the French Fintech sector with a transaction value of €7.8bn.

Besides this mega deal we observe in France that there are relatively more opportunities for Fintech insurance companies compared to other European countries.

In banking, challenger bank Qonto was able to raise €102.5m in series C funding in January 2020. Qonto focuses on the B2B segment with online banking solutions, for which the demand has increased over time and especially during COVID-19.

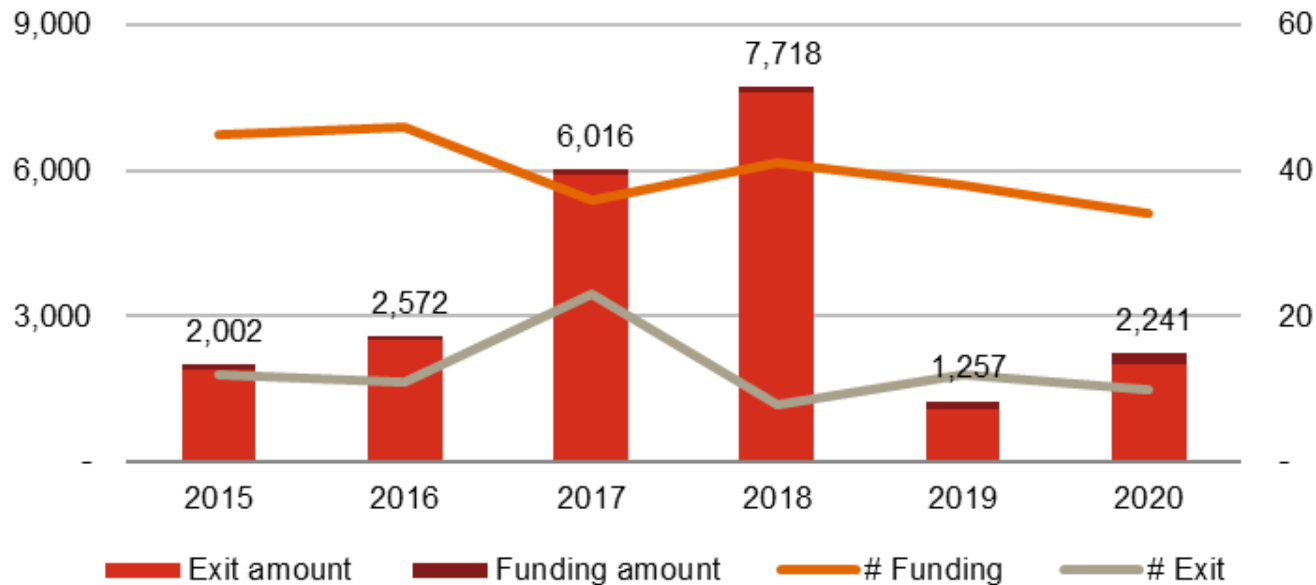
2020 ended up just above 2019 with c. €0.6bn of total fundraising (excl. M&A).

Due to the fact that Fintech is considered a key industry by the government, a stimulus plan of €1.4bn is rolled out to support Fintech companies in order to further drive developments in the sector.

Benelux deepdive

Belgium, Netherlands, Luxemburg

Benelux transaction value and transactions



Benelux

In the Benelux, the Netherlands is the frontrunner regarding developments in the Fintech sector. Large and fast growing payment companies Adyen and Mollie (reaching unicorn status based on their last €95m funding round in Sep-20) dominate the sector. Furthermore, the Netherlands is considered a startup hub in Europe due to its favorable regulations.

In the Benelux we observe that particularly mortgages and lending is not able to attract much funding compared to the other subsectors in the scope of this report.

Fundraising in 2020 reached €260m (with >60% raised in the second half of the year), c. 35% higher than 2019.

Sector deep dive

*What are the key regions for Fintech investments in Europe?
(Continental Europe vs. UK?)*

Which Fintech sectors attract the most investor interest?

*Which funding rounds/stages are prevailing?
(Continental Europe vs UK)*

Who are the most active investors in Continental Europe?

What's next for European Fintech?

The pandemic has underscored the importance of FinTechs to the financial services sector globally

It has highlighted an urgent need for incumbents across the financial services value chain to innovate through partnership with FinTechs.

Many financial services providers have seen COVID-19 put further pressure on margins and FinTechs can provide an array of attractive solutions to alleviate this pressure.

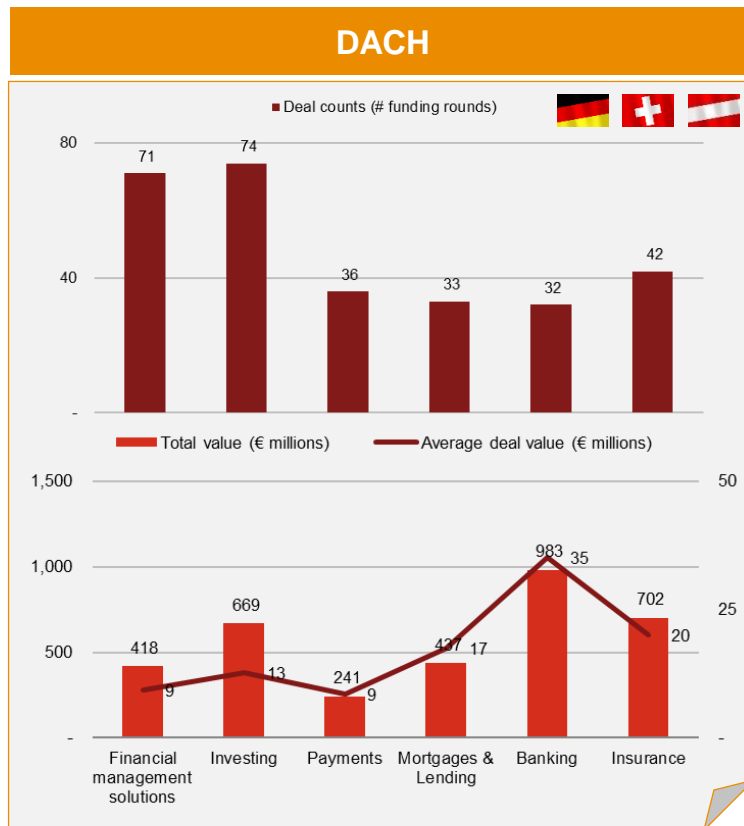
We also observe that certain sectors within Fintech leverage their competitive advantage in a changing landscape that is increasingly dependent on digital solutions. Global Fintech funding dropped as well but not as hard as M&A, a sign that investors have a positive outlook and belief in the Fintech sector, especially the ones proven to have resilient business models or even thrive due to the accelerated pace of changing consumer and business behaviour (i.e. further digitisation).

Fintechs in Payments, Investments and Banking/Insurance software companies for example continue to attract investments due to these changes in consumer and business behavioural patterns and will continue to do so.

Many of these behaviours revolve around digital products, services and solutions, and some FinTech sub-sectors such as payments, should benefit from the accelerated shift towards a cashless economy, notwithstanding some shorter term pressures from lockdowns. Also within various FinTech sub-sectors, we continue to see increased penetration of operational simplification & automation tools, specifically configured for the complexities of the financial services end markets.

In DACH, Banking and Insurance attracted most funding but Investments closing in with numerous smaller rounds

DACH– Fintech funding rounds (no M&A) by sector over 2018-2020



Source: Dealroom, PwC Analysis



In the DACH region we see that the Banking, Investment and Insurance sectors attracted most funding. Average funding rounds are larger for Banking & Insurance .

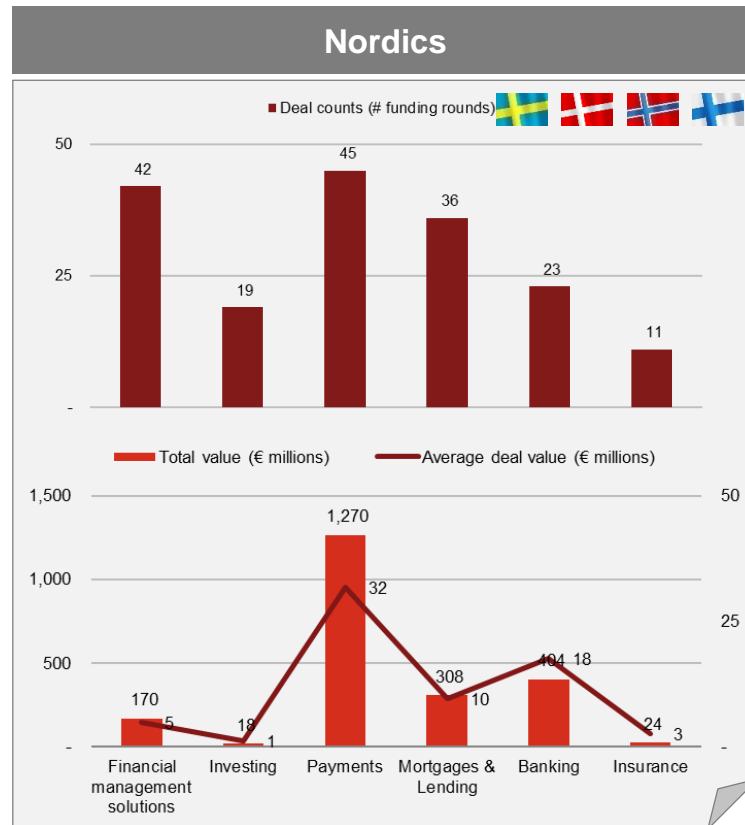
Banking related funding rounds included a €100m series A round for savings deposit platform Raisin in 2019, the N26 €560m round in 2018-2019 followed by another €90m round in 1H20 and the €60m series C round for Solaris Bank in 1H20.

Insurance related funding rounds included the Wefox (digital insurance) €200m series B round, the FRIDAY (digital insurance) €115m series A+B round and the Ottonova (digital insurance) €54m early VC round, all in in 2019.

Investment related funding rounds include the €100m+ series A round for TradePlus24 (1H19), the €90m SEBA crypto early VC round (2H18) and the €50m+ rounds for Trade republic (1H20), Solactive (growth equity) and Scalable capital (2H20)

In the Nordics, Payments clearly led the way

Nordics – Fintech funding rounds (no M&A) by sector over 2018-2020



1. Amount of funding rounds or exits where available
Source: Dealroom, PwC Analysis



In the Nordics we see that the Payments sector attracted most funding, reflected in total funding value as well as in the average funding round value.

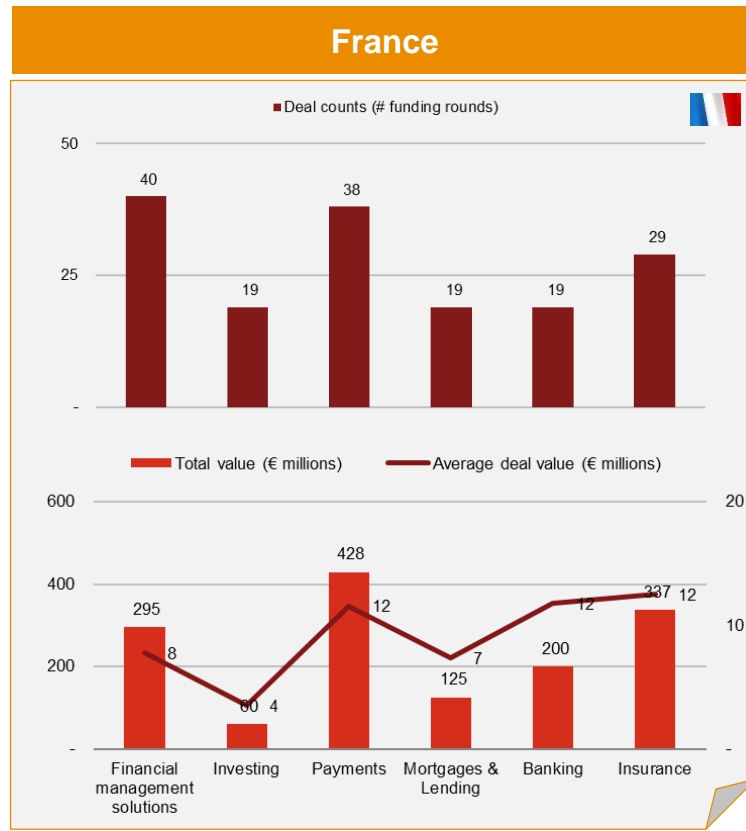
Payments related funding rounds included the Swedish c. €1.1bn Klarna series A and late stage / growth equity rounds in 2018-2020 as well as the Danish Pleo (company payment card solution) €63m seed and series A rounds in 2018-2019.

In Lending, largest funding rounds were the Swedish Lendify (P2P lending) €170m seed and series A in 2018/2019 as well as the Swedish Bynk (consumer lending platform) round of €48m series B in 2019.

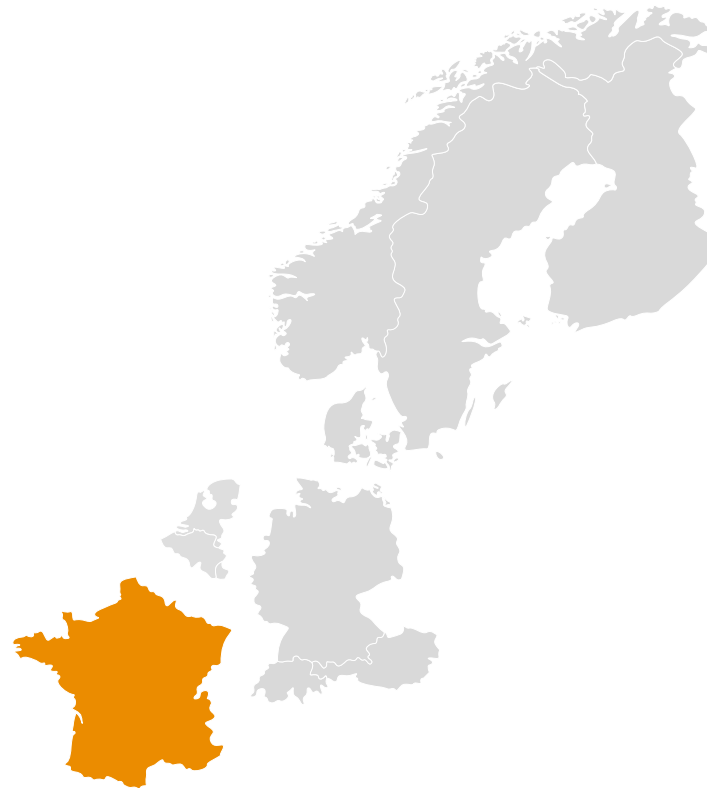
In Banking we saw challenger banks (e.g. Lunar Way, €40m early VC in 2019) and open banking platforms (e.g. Tink, €170m seed, series A and late VC rounds in 2018-2020) attracting most funding

In France, FM solutions, Payments and Insurance raised most funding

France – Fintech funding rounds (no M&A) by sector over 2018-2020



1. Amount of funding rounds or exits where available
Source: Dealroom, PwC Analysis



In France, we see that Financial Management Solutions, Payments and Insurance sectors attracted most funding, reflected in total funding value.

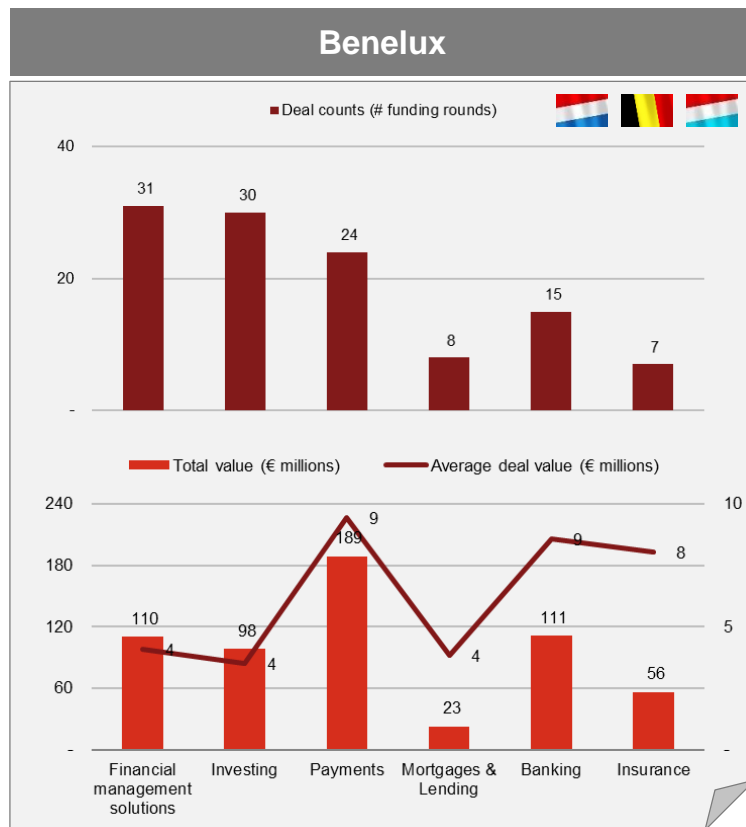
In FMS, we saw quite a large number of smaller rounds, with some of the largest being the €70m Payfit series A in 2019 and the €43m Spendesk seed and series B rounds in 2018-2019.

In Payments we also saw quite some funding activity. Largest rounds included the €75m Wynd seed and early VC rounds in 2019, the €42m series A and B rounds for Lunchr (corporate lunch cards) in 2018-2019, Lemon Way (payments for marketplaces/platforms) €35m seed, late stage rounds in 2018-2019 and the €30m series A rounds for Alma (e-commerce payments) in 1H20 and Lydia raising €77m series B funding in 2H20.

Insurance funding rounds included the larger ones for Shift Techn. (fraud and claims automation), €53m series A in 2019, the €63m seed and series C rounds for Alan (health insurance challenger) in 2018-2019 and the €50m series B round for home insurtech Luko in Dec20.

In the Benelux we see all sectors but Mortgages and Lending attracting their fair share of funding

Benelux – Fintech funding rounds (no M&A) by sector over 2018-2020



1. Amount of funding rounds or exits where available
Source: Dealroom, PwC Analysis

In the Benelux we see all sectors except Mortgages and Lending attracting their fair share of funding. We see quite a large number of smaller rounds across all sectors.

Banking related funding rounds included the €60m series C and late stage rounds for Ohpen (banking software) in 2018-2019, the €10m seed round for Bunq (challenger bank) in 2018 and €8m seed round in 2018 as well as €10m series A round in 1H20 for Cobase (multibank platform). Cloud based core banking software builder Five Degrees obtained €22m of late VC funding in Dec20.

Payments funding rounds included the €25m Mollie (PSP) series A round (which was followed in Sep-20 by a €90m round making them a unicorn), the €15m early VC round for Belgian Ibanfirst (FX payments) in 2018 and the 2019 €20m seed round for Luxembourg based Payconiq (mobile payments).

FMS attracted funding including a €27m series B round for SilverFin (cloud accounting) in 1H20, €30m seed funding for Dutch GeoPhy in 2019 and €10m seed funding for Luxembourg based Hqlax in 2019.

Investment stage deep dive

*What are the key regions for Fintech investments in Europe?
(Continental Europe vs. UK?)*

Which Fintech sectors attract the most investor interest?

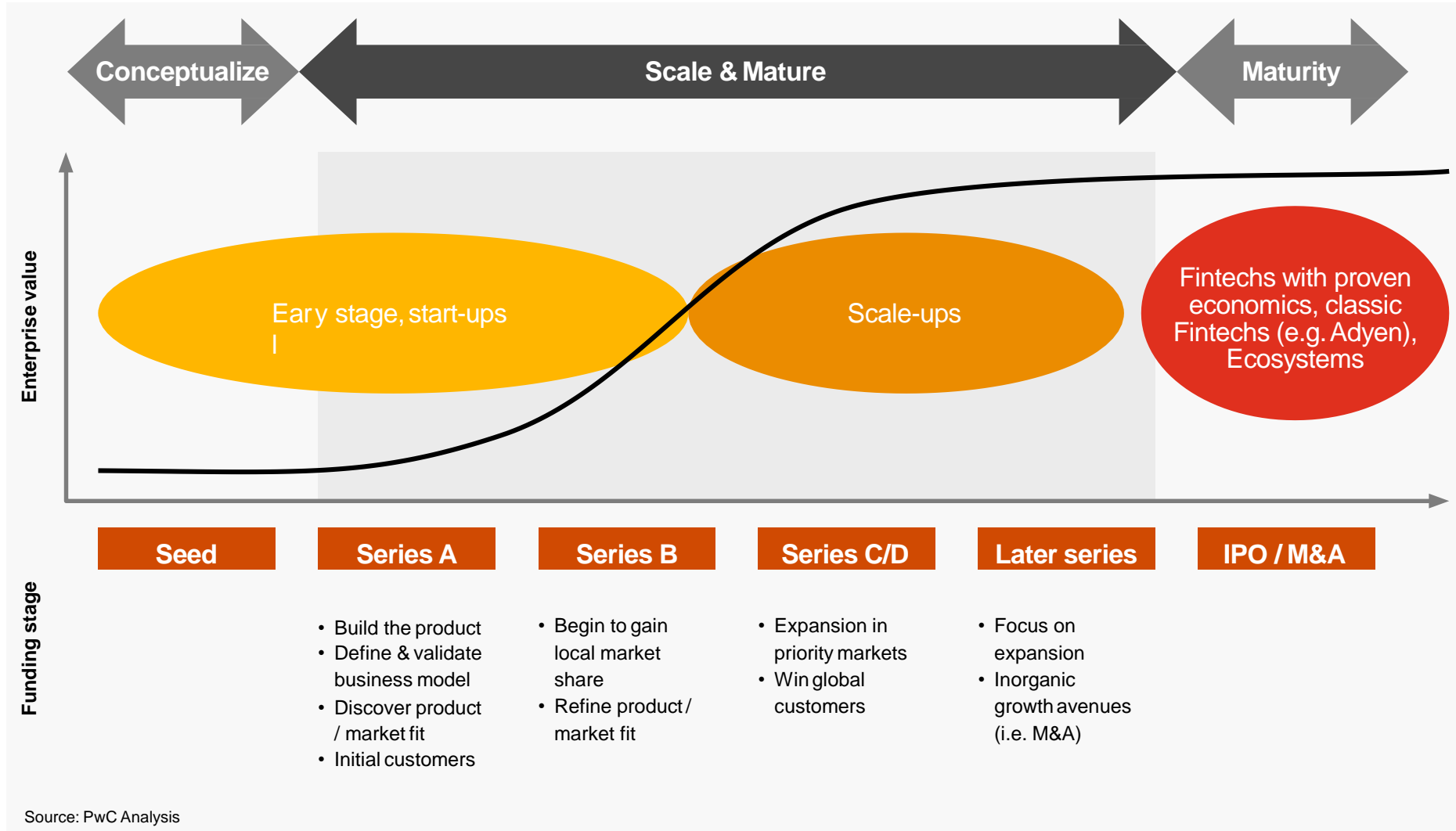
*Which funding rounds/stages are prevailing?
(Continental Europe vs UK)*

Who are the most active investors in Continental Europe?

What's next for European Fintech?

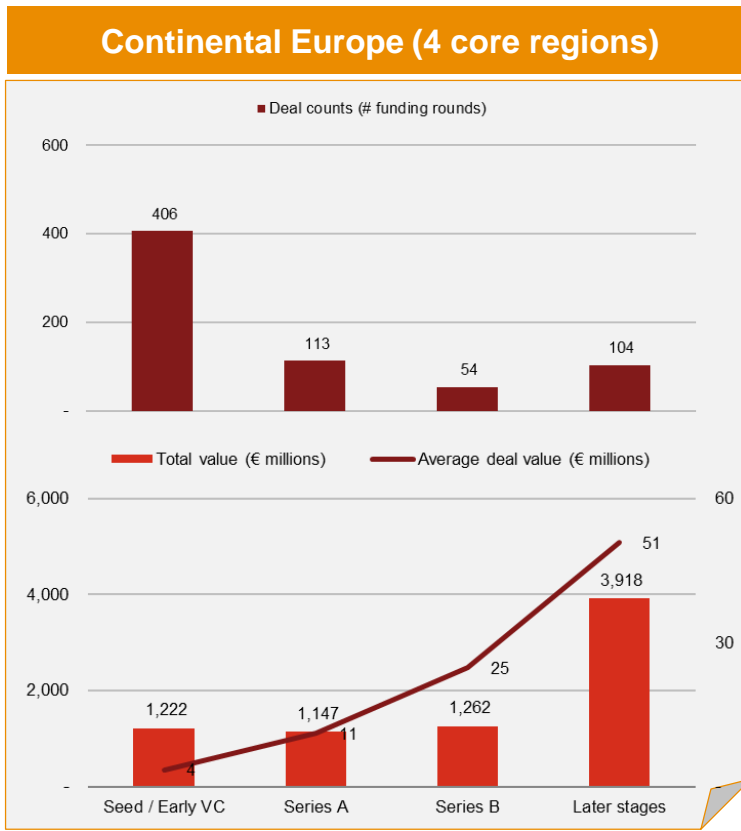
The Fintech life- and funding cycle

Illustrative



Continental Europe is catching up with UK in early stages, funding volume still behind in later stages

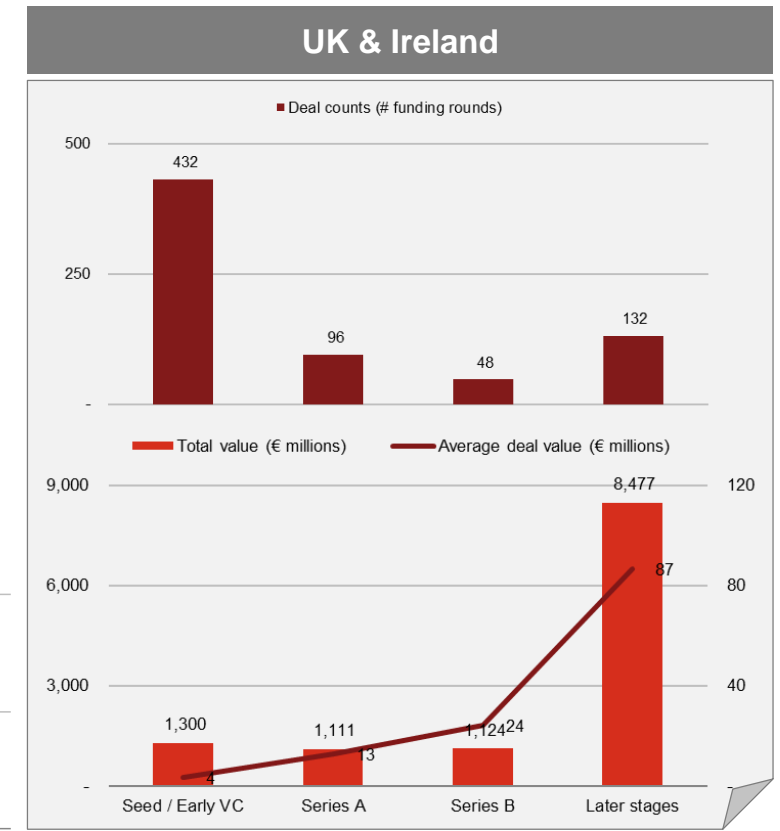
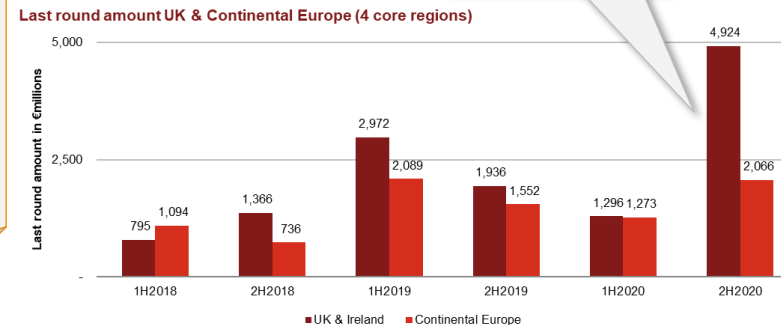
Europe – Fintech funding rounds by stage of maturity (no M&A) over 2018-2020



The UK&Ireland were historically ahead of continental Europe in terms of Fintech funding as they are simply more mature Fintech markets. We do see two trends when we compare the two.

One being that the funding amounts are increasing over time for both and second being that Brexit induced uncertainty as well as maturing market has a spill over effect on investments made in Continental Europe. UK&Ireland do remain ahead in the larger late stage rounds that are still larger compared to Continental Europe, an indication of where the Continental European market might be heading in years to come.

2H20 already saw c. €2.7bn of 3 large Growth equity rounds in Insurtechs



1. Amount of funding rounds or exits where available
Source: Dealroom, PwC Analysis

Investor deep dive

*What are the key regions for Fintech investments in Europe?
(Continental Europe vs. UK?)*

Which Fintech sectors attract the most investor interest?

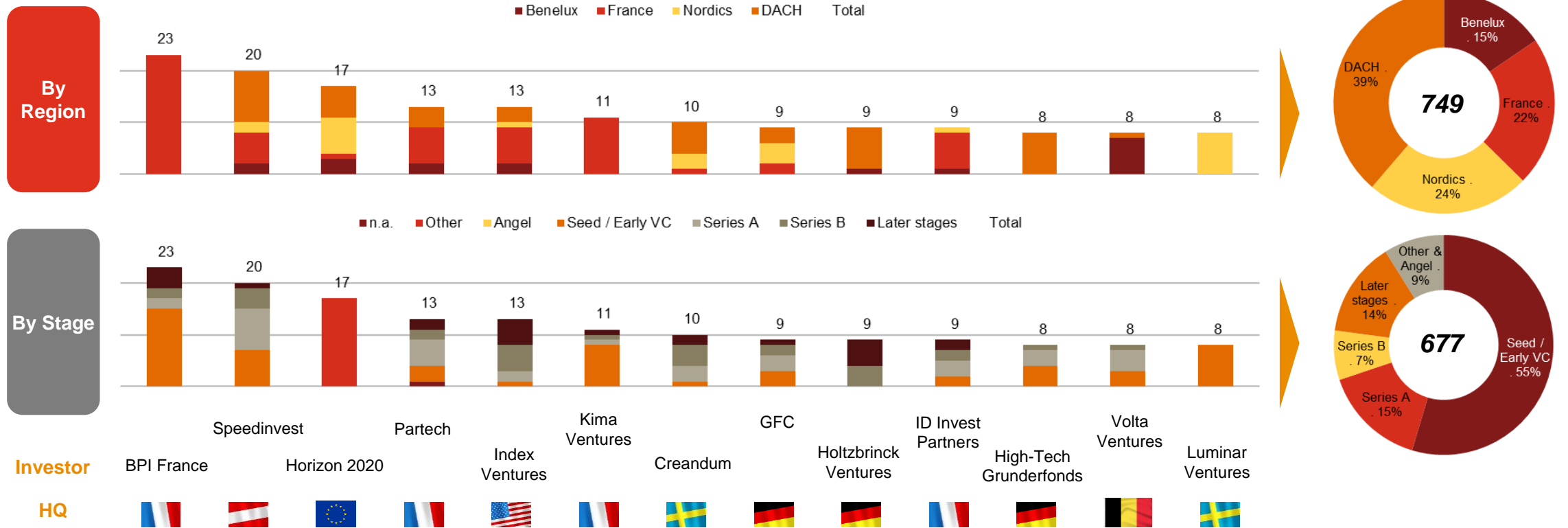
*Which funding rounds/stages are prevailing?
(Continental Europe vs UK)*

Who are the most active investors in Continental Europe?

What's next for European Fintech?

Most funding comes from EU regional VC's and global investors, mostly in seed/early stage

Continental Europe core regions – Top Fintech investors by deal counts (# funding transactions (no M&A), 2018-2020)



Source: Dealroom, PwC Analysis

Outlook – what's next in Fintech?

*What are the key regions for Fintech investments in Europe?
(Continental Europe vs. UK?)*

Which Fintech sectors attract the most investor interest?

*Which funding rounds/stages are prevailing?
(Continental Europe vs UK)*

Who are the most active investors in Continental Europe?

What's next for European Fintech?

What's next for (European) Fintech?

An outlook

The long-term outlook for the FinTech sector remains highly favorable for investors despite and to a certain extent supported by the effects of COVID-19

We expect to see FinTech growth accelerate over the coming months and years and, with that, a significant increase in investment into the market behaviors that will be beneficial to FinTech growth.

As with most businesses, many FinTechs have been adversely impacted by COVID-19. Sub-sectors such as point-of-sale payments and consumer credit have been among the hardest hit, albeit activities are starting to rebound. Other sub-sectors have remained largely resilient to the pandemic, including: core financial services market infrastructure and software platforms, capital market / trading platforms, ecommerce payments, RegTech, data management & analytics, and governance software.

While the near-term shock and ongoing market uncertainty have dealt a heavy blow to FinTech deals, the long-term outlook remains highly favorable for investors. In part, this is because the pandemic, for all its disruption, has created an urgent demand for the benefits FinTechs can provide and has dramatically accelerated trends that were already driving their growth.

We witness funding levels to have bounced back strongly after a relatively slow first COVID-19 dominated half of 2020, proving the belief of investors in the resilience and future of these business models

We also see early funding rounds in Continental Europe matching UK levels, which in turn should result in a larger volume of later stage funding rounds and M&A activity in coming years.

In the near term, we expect to see a flight to scale with investors focusing primarily on established targets with scalable products, established client bases, proven economics and strong balance sheets. Corporates and financial sponsors with existing FinTech portfolios may also benefit from distressed assets, which could offer consolidation opportunities.

The changes brought by the pandemic have vastly accelerated the pace of digital adoption among consumers and businesses alike. This has served as a catalyst for incumbent financial services companies to reassess their legacy operations and technology infrastructure. Moreover, it has highlighted the importance of FinTechs to the resilience of the financial system.

Therefore, we remain optimistic about the outlook for the European FinTech deals market and expect it to be an area that will see fast recovery and increasing investment activity post-COVID-19

Thank you

Your contacts at PwC

Martijn de Haan

Director Deals

The Netherlands

+31651149594

martijn.de.haan@pwc.com



Manoel de Goeij

Partner Deals Valuations

The Netherlands

+31(0)6 83 89 49 33

manoelc.de.goeij@pwc.com

