

SURVEY REPORT

# Financial Technology Shines in the Private Market

June 2019



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For important disclosures and analyst certification, please see page [\[11\]](#)

## MARKET COMMENTARY

We set out to uncover trends in the financial technology (“fintech”) sector. Generally, funding data points in the sector prove valuable for investors as they can gain insights into current valuations and the perceived future value of these disruptive companies. To gain insights on future use and adoption we surveyed over 1,000 consumers on their fintech usage, likelihood to use such services, and satisfaction. To date, 2019 has produced sizable exits and primary funding rounds in this sector, what will the future hold for fintech?

### Exits: IPO and M&A

The IPO market had been receptive to private tech companies despite the revamped China-U.S. trade war. The trajectory forward is far less certain if market volatility takes hold. Despite this macroeconomic backdrop, fintech companies have raised around \$194 million in IPO funding through April 2019. This figure represents a modest slice of the total IPO funding this year. For perspective, Uber alone raised over \$8 billion its May IPO.

Merger and acquisition exits tell a different story. In fact, fintech investors have experienced over 230 M&A transactions representing nearly \$110 billion in value during the first four months of the year. That magnitude features the highest quarterly deal volume ever (Q1:2019), inclusive of two of the largest fintech M&A exits, according to FT Partners. Fiserv acquired First Data for \$41 billion and FIS acquired Worldpay for \$43 billion.

“There is enough capital in this world.  
We have the ecosystem now and that  
ecosystem has an exponential effect... We  
provide liquidity for a lot of VCs to exit”

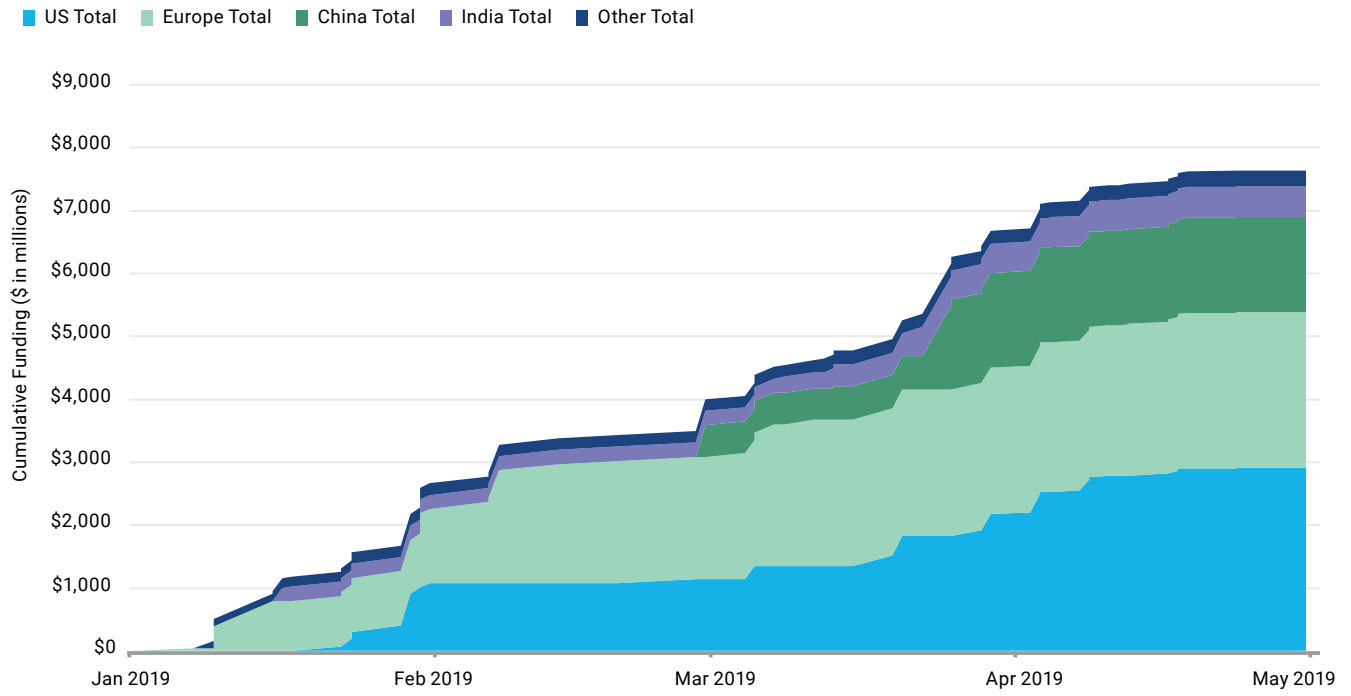
[–Rajeev Misra, CEO SoftBank Investment Advisors, in an interview with CNBC April 2018](#)

### Financing

The innovation economy continues to attract funding at generational highs. This observation holds for fintech companies. During the first four months of 2019, fintech-focused firms raised nearly \$8 billion in primary funding. While the exact deal structure for some non-U.S. based companies is difficult to uncover, we do know European companies generally, and UK domiciled companies specifically, have raised a significant amount of capital– just behind the U.S. Notable fintech verticals include Real Estate Technology, Credit and Banking Technology, and Business Productivity Technology.

EXHIBIT 1

# U.S. and European firms attract majority of private fintech funding <sup>[1]</sup>

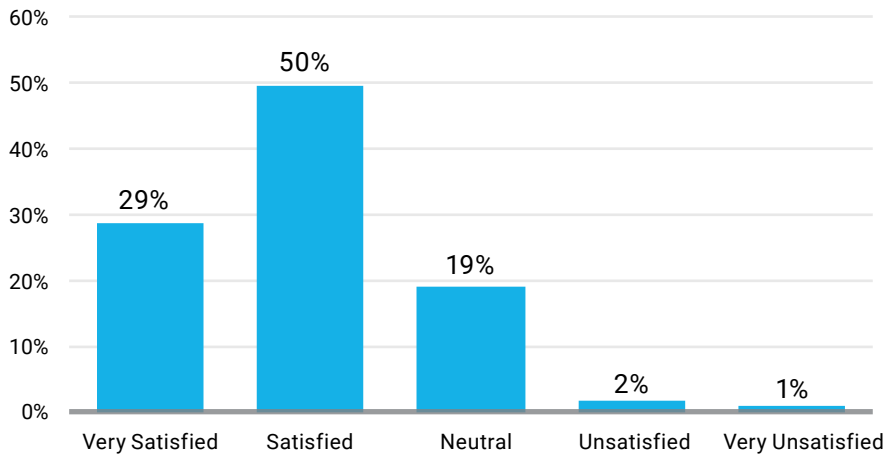


## CONSUMER SURVEY RESULTS

We surveyed over 1,000 consumers in the month of April to gauge interest in certain fintech verticals, potential future use, and satisfaction. We gathered responses using SurveyMonkey and Amazon Mechanical Turk. As a baseline, we polled the respondents on the types of traditional products and financial institutions they use and are customers of, respectively. Not surprisingly, traditional institutions are used more widely compared to newer fintech entrants. Yet, in each of the consumer fintech verticals polled, satisfaction clearly surpasses that of traditional players. We scored this satisfaction on a response-weighted basis, ranging from 2 for very satisfied to -2 for very unsatisfied.

### EXHIBIT 2

#### Traditional finance satisfaction among consumers <sup>[2]</sup>



The average consumer respondent scores 1.0, or satisfied, with their traditional financial institution. Companies that had at least 10 percent of respondents as customers are as follows:

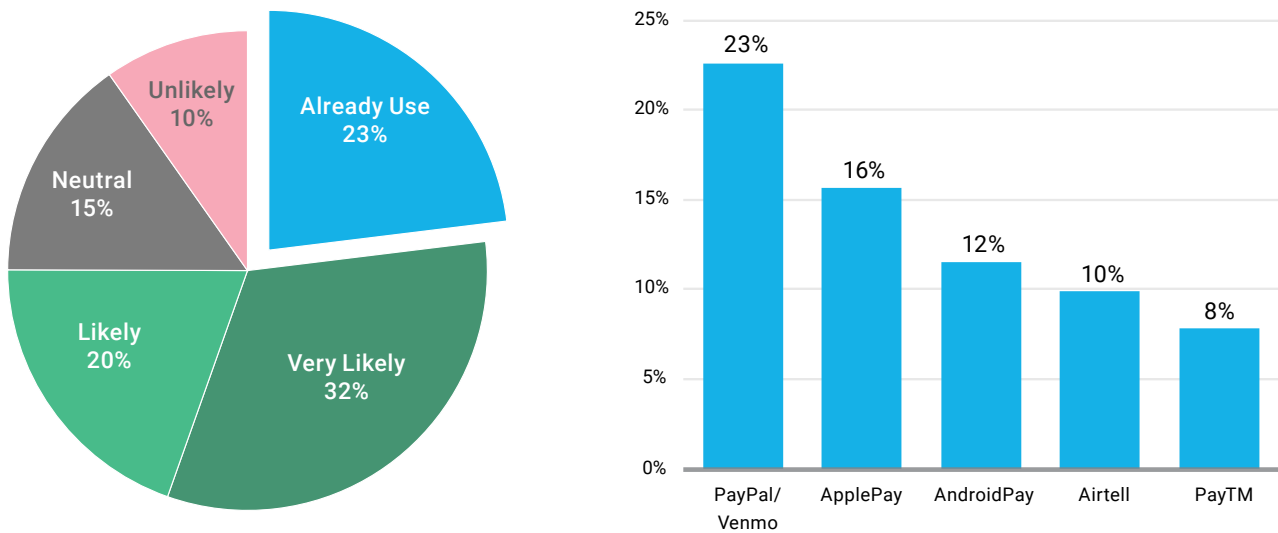
American Express- 31%, Capital One- 23%, Bank of America- 23%, Citi- 18%, Discover- 14%, Barclays- 13%, JP Morgan Chase- 12%; HSBC- 11%, Bank of the West- 11%, Wells Fargo- 10%.

## MOBILE WALLETS

Mobile wallets are used by consumers at the highest rate when compared to other fintech verticals. 23 percent of respondents currently use a mobile wallet. 52 percent of respondents are likely to adopt using mobile wallets in the future. This observation could bode well for PayPal's Venmo, which has the current plurality of users. Depending on functionality, mobile wallets benefit from network effects – the more people who use a given service, the more valuable it is for them. As such, those companies with high user rates could realize greater valuations on a relative basis. However, as we enter a time of increased integration efforts across all technology platforms, hegemony in this space may become more difficult to establish and maintain.

### EXHIBIT 3

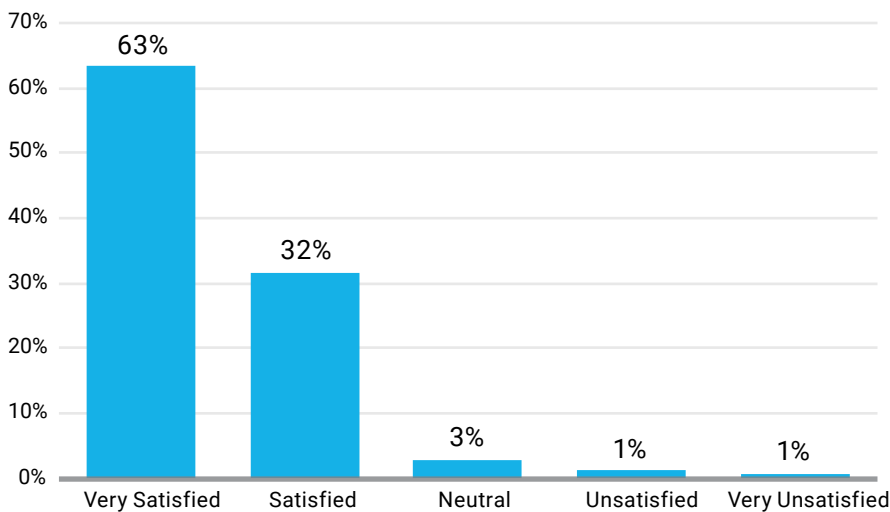
#### Consumer mobile wallet use to grow, PayPal/Venmo current leader <sup>[3]</sup>



Perhaps due to the limited friction mobile wallets provide to users, the average mobile wallet user exhibits a satisfaction score of 1.6. Compared to traditional firms, mobile wallet users are 49 percent more satisfied.

### EXHIBIT 4

#### Mobile wallet users exhibit highest satisfaction <sup>[4]</sup>

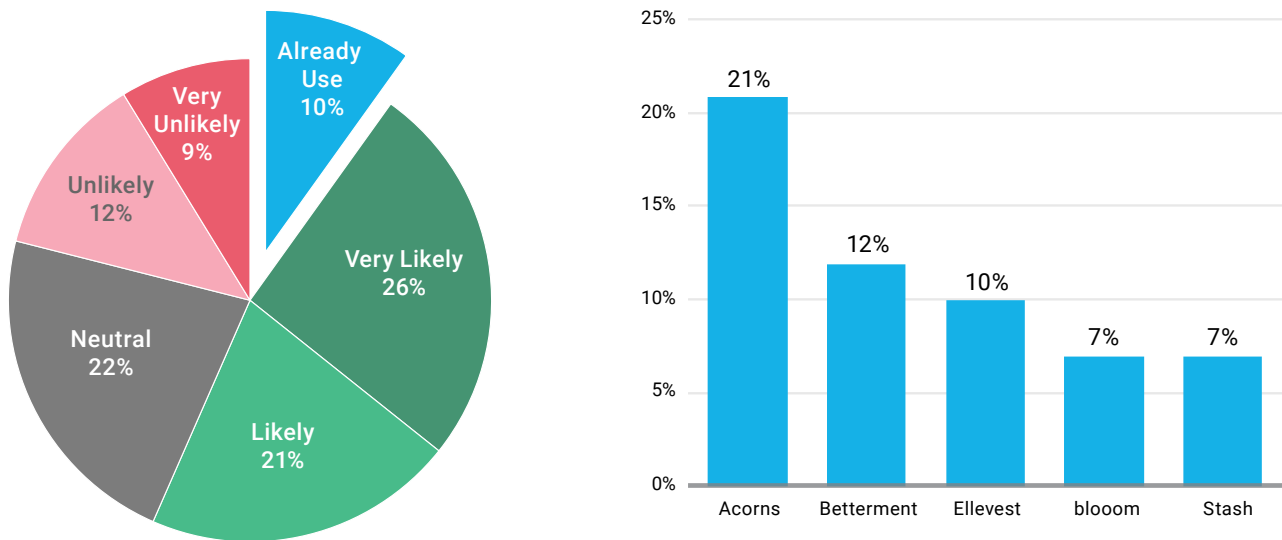


## ROBO-ADVISORS

Despite a modest 10 percent consumer adoption for robo-advisors, the greatest growth may be yet to come. Robo-advisor users claim 38 percent greater satisfaction compared to traditional firms. More than a quarter of respondents are “very likely” to use some form of these services looking forward with another 21 percent likely to as well. Using such responses as a proxy for future demand, more respondents are showing interest in this vertical than are “neutral”, “unlikely”, or “very unlikely” combined. While the “human touch” of traditional retail investment advice and planning has been commonplace for decades, cost efficiencies combined with remote assistance has begun to erode entrenched players. We must note that this vertical gained notice only after the last recession and could find difficulties in a future significant stock market downturn if they are perceived as deficient compared to other offerings.

### EXHIBIT 5

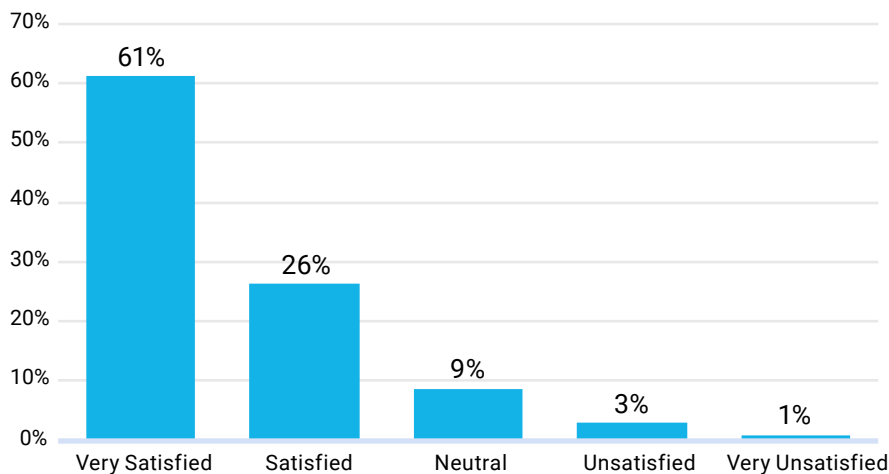
#### Acorns and Betterment rank as top robo-advisors by usage <sup>[5]</sup>



Robo-advisor users, on average, reported a satisfaction score of 1.4. Consumers clearly view this vertical favorably, as there is a 30 percentage point difference in those reporting very satisfied compared to traditional firms.

### EXHIBIT 6

#### Robo-advisors users report high satisfaction <sup>[6]</sup>

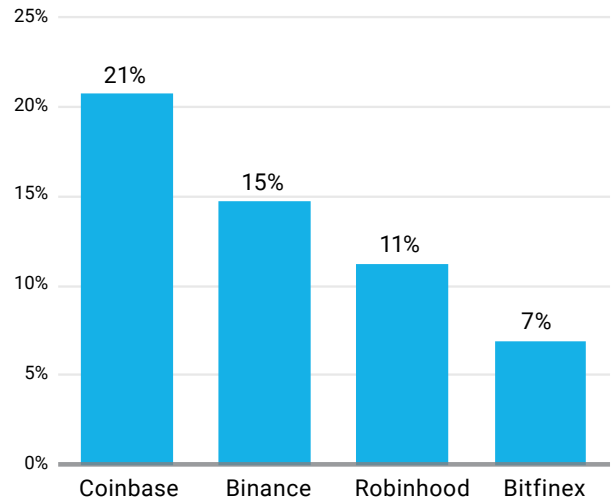
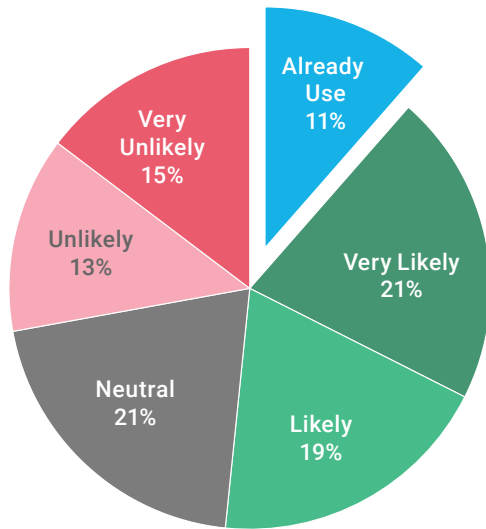


## ONLINE CRYPTO EXCHANGES

Consumer respondents showed some hesitation towards online crypto brokers and exchanges compared to other fintech verticals. Nearly half of respondents were “neutral”, “unlikely”, or “very unlikely” to use crypto app services. We draw this relative lack of interest to the calamitous drop in crypto valuations in 2018. Despite these observations, users claim 21 percent greater satisfaction compared to traditional institutions, albeit the lowest percent delta of the queried fintech verticals. This vertical scored 1.3 on our satisfaction scale.

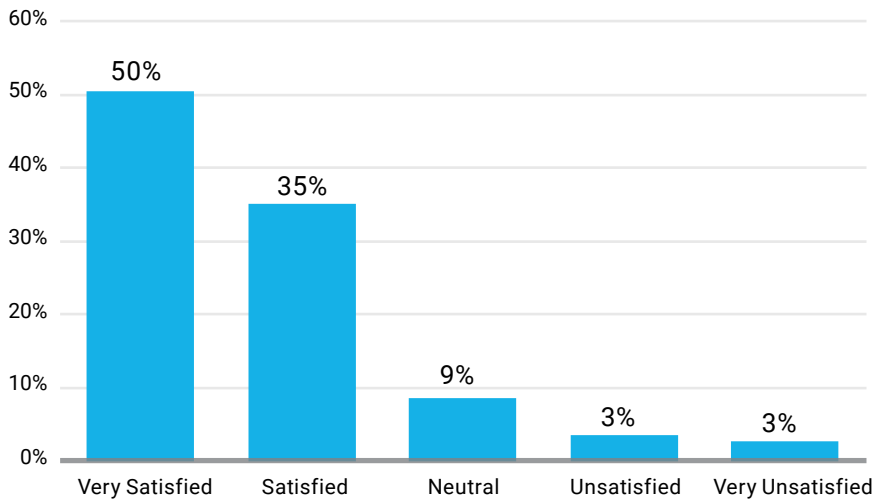
### EXHIBIT 7

#### Consumer respondents choose Coinbase over Robinhood Crypto <sup>[7]</sup>



### EXHIBIT 8

#### Respondents 21% more satisfied with crypto apps than traditional firms <sup>[8]</sup>



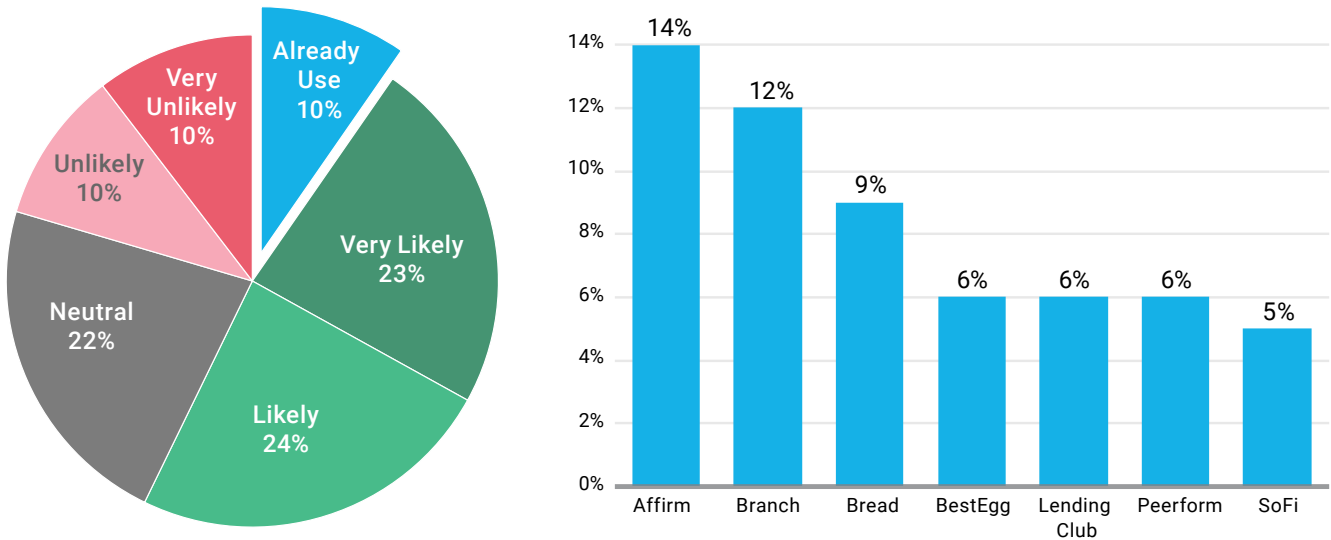


## ONLINE LENDING

Online lending is becoming a large conduit for venture capital dollars. For example, Affirm raised \$300 million at the beginning of April. Perhaps interest in this vertical is being driven by past success of early entrant SoFi, as well as the efficiency benefits associated with these types of companies. As artificial intelligence and machine learning become more proven technologies, we expect their potentials could lead to better outcomes for lenders. 47 percent of respondents are “likely” or “very likely” to use these types of services, whereas 20 percent are “unlikely” or “very unlikely”. What’s more, online lender customers are 28 percent more satisfied compared to traditional firms, scoring 1.3 on our satisfaction scale. Risks to continued adoption and future satisfaction hinges on these companies’ ability to maintain service at scale. If competition continues to propagate, then these companies will face significant margin headwinds.

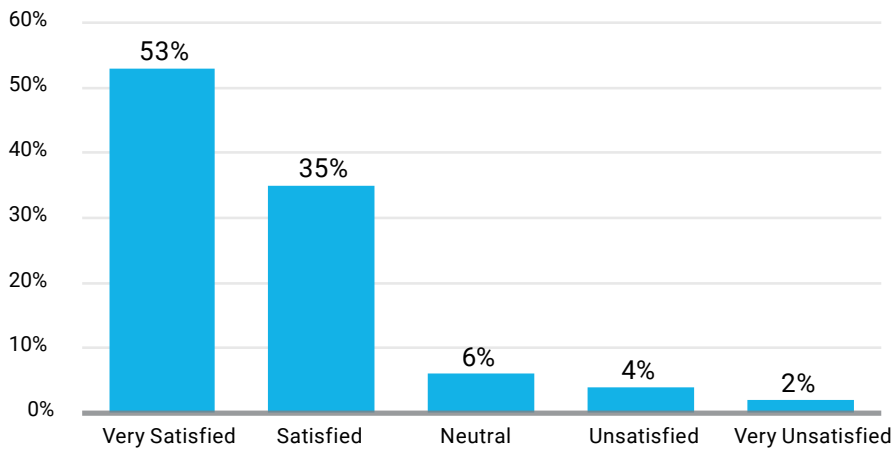
### EXHIBIT 9

Affirm and Branch lead online lending by respondent use <sup>[9]</sup>



### EXHIBIT 10

88% of online loan users report satisfaction <sup>[10]</sup>



## SOURCES

- [\[1\]](#) SharesPost Research; CB Insights; FT Partners; Pitchbook (Other includes Brazil, Canada, Indonesia, Israel, and Singapore) as of 4/29
- [\[2\]](#) SharesPost Research; N=1055; "How satisfied are you with the products or services provided by the company (or companies) chosen in the question above?"
- [\[3\]](#) SharesPost Research; N=1055; "How likely are you to use the products or services provided by mobile wallets?"; N=243; "Are you currently a customer of one of the following companies?"
- [\[4\]](#) SharesPost Research; N=243; "How satisfied are you with the company's product or service chosen in the question above?"
- [\[5\]](#) SharesPost Research; N=1050; "How likely are you to use the products or services provided by robo-advisors?"; N=101; "Are you currently a customer of one of the following companies?"
- [\[6\]](#) SharesPost Research; N=103; "How satisfied are you with the company's product or service chosen in the question above?"
- [\[7\]](#) SharesPost Research; N=1048; "How likely are you to use the products or services provided by Online Cryptocurrency Brokers?"; N=116 "Are you currently a customer of one of the following companies?"
- [\[8\]](#) SharesPost Research; N= 117; "How satisfied are you with the company's product or service chosen in the question above?"
- [\[9\]](#) SharesPost Research; N=1047; "How likely are you to use the products or services provided by online lenders?"; N=100; "Are you currently a customer of one of the following companies?"
- [\[10\]](#) SharesPost Research; N=100; "How satisfied are you with the company's product or service chosen in the question above?"

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