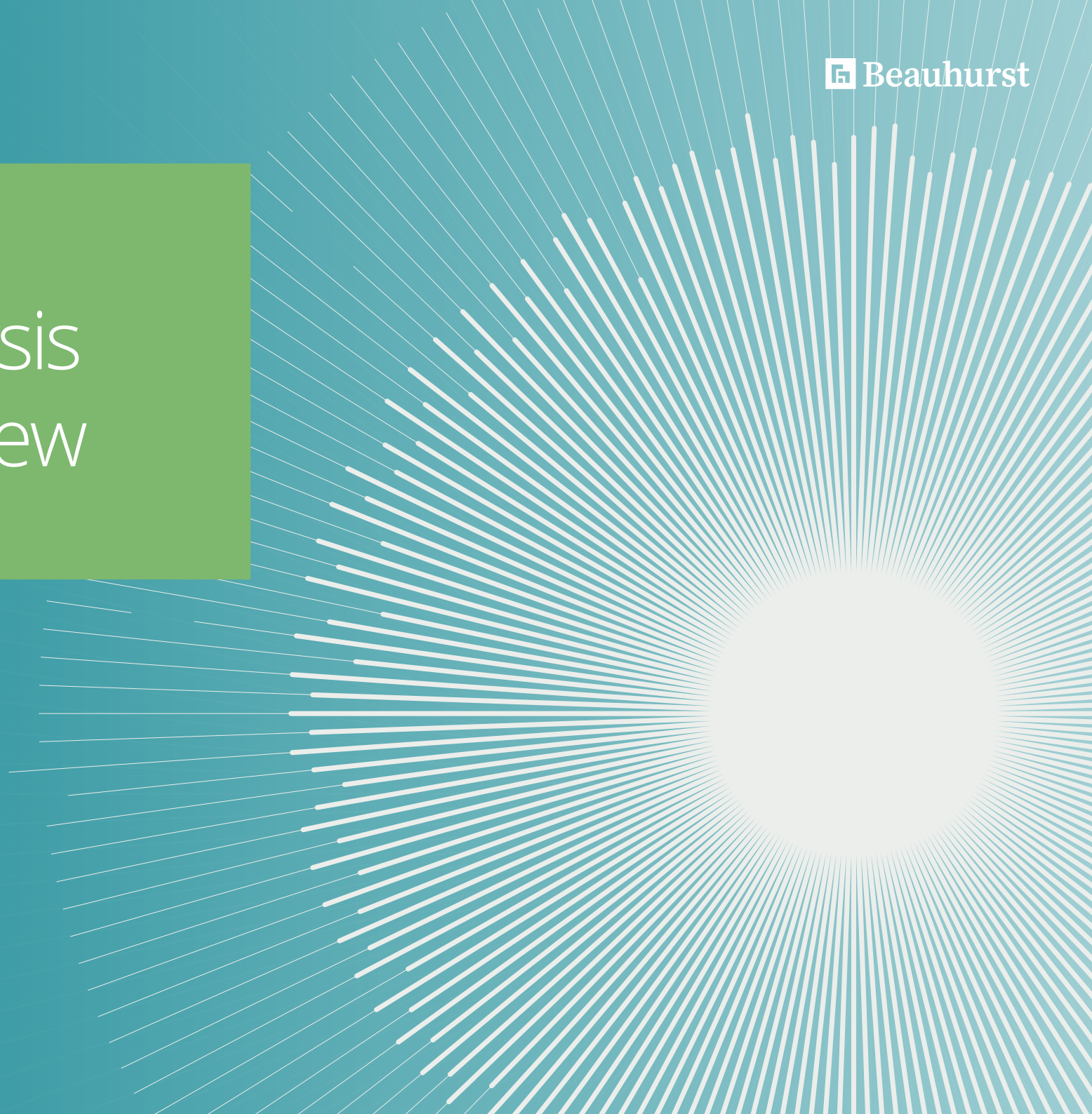


# Fintech

## Sector Analysis 2022 in Review

February 2023



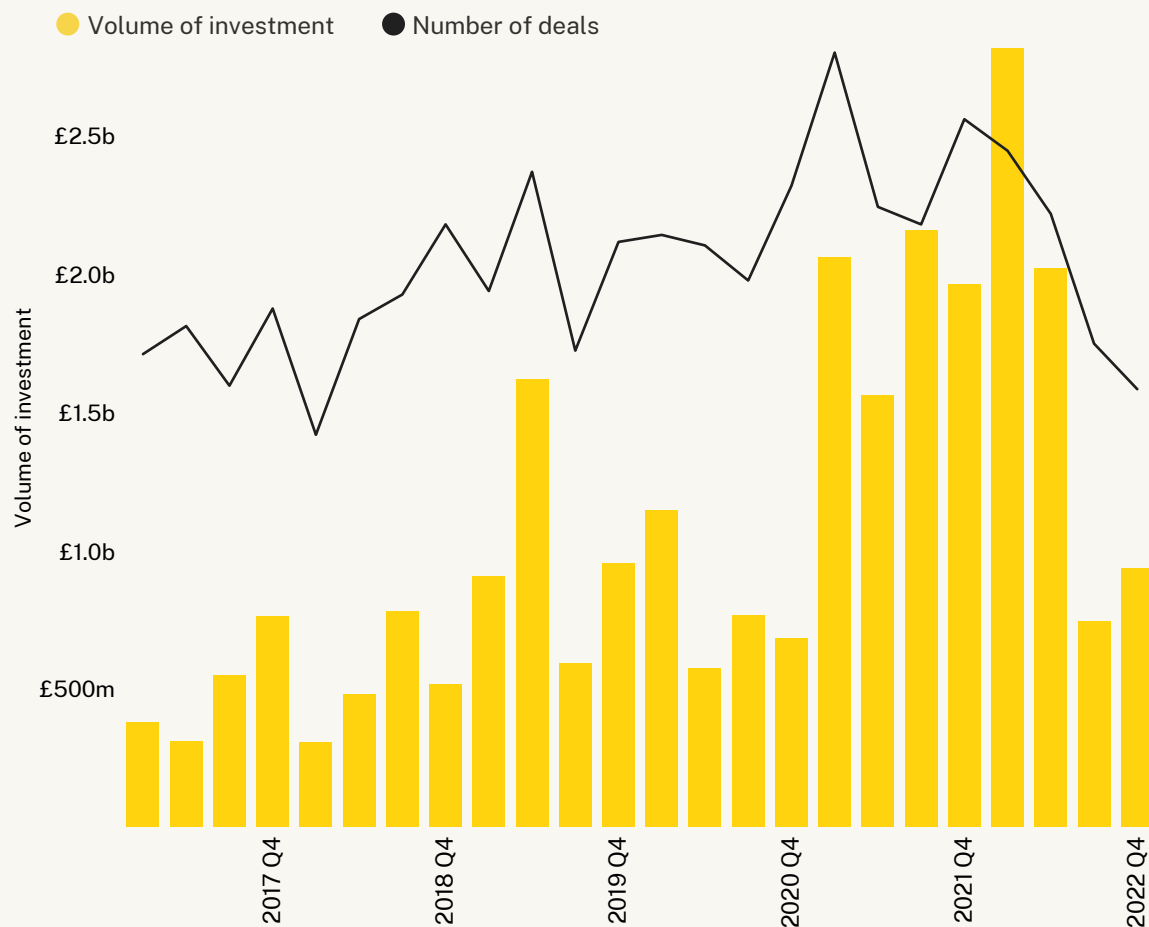
## Quarterly volumes

From 2017 to 2021, equity investment into high-growth UK fintechs had been trending broadly upwards. Though fintechs saw slightly decreased amounts of investment in 2020, they proved resilient to the impacts of Brexit and COVID-19. Fintechs received record funding in 2021, aligning with the wider

equity finance landscape and highlighting the increased role of digital products and services during the lockdowns. While Q1 2022 saw a record quarterly total of £2.76b invested, the remaining quarters witnessed a return to pre-pandemic levels. The data shows that the sector is not immune to the decline in investment seen

across the risk capital market during 2022. Investors visibly pulled back in the face of more challenging conditions, slowing their capital deployment after the dramatic scenes of 2021. Whatever 2023 may hold, it seems unlikely that the heights of 2021 and 2022 will be matched.

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



*"It is encouraging to see total funding in 2022 remains higher than in 2020, although we are now facing declining deal volumes, notably amongst unicorns and mega funding rounds. The more troubling situation is that the proportion of equity finance invested in companies with female founders remains below pre-pandemic levels — if we are to innovate and drive UK success then we need to unleash this diversity accelerator. Disappointingly there is an even longer way to go to support business formation by female founders and improve access to finance."*

*The growing recognition of fintechs as key players in financial services will persevere. Fintechs have transformed the way financial services cater to consumers and businesses alike. However, companies must adapt to the new macroeconomic environment, and we are seeing companies reducing their spending and scaling back their growth plans. But there is also a new opportunity — fintech has changed the operating model of financial institutions, forcing them to rapidly adopt emerging technologies by investing in vendors and internal capabilities.*

*Fintechs that have a sustainable business model are in a stronger position than ever to shape the future of finance and deliver on the message of 'tech for good'."*

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

## Median valuations by growth stage

Over the last 10 years, the median valuation of high-growth fintech companies has increased across all stages of evolution, most dramatically at the growth and established stages ([read about stages of evolution on the Beauhurst website](#)). This is due to a range of factors, including increased private market investment activity, changes in investment norms, and most recently economic stimulus measures and changing consumer behaviour related to the COVID-19 pandemic.

Over the last five years, the larger high-growth companies, those at the growth and established stages, have seen the most dramatic increase in valuations. While the number of new fintechs has increased with the expansion of the sector, the amount of money chasing these later-stage companies has increased more, driving up valuations. Last year saw a slight decrease for established-stage companies but valuations for seed, venture and growth-stage companies have proved more resilient in the face of worsening economic conditions.

Median pre-money valuations of fintech companies by stage of evolution (2013-2022)

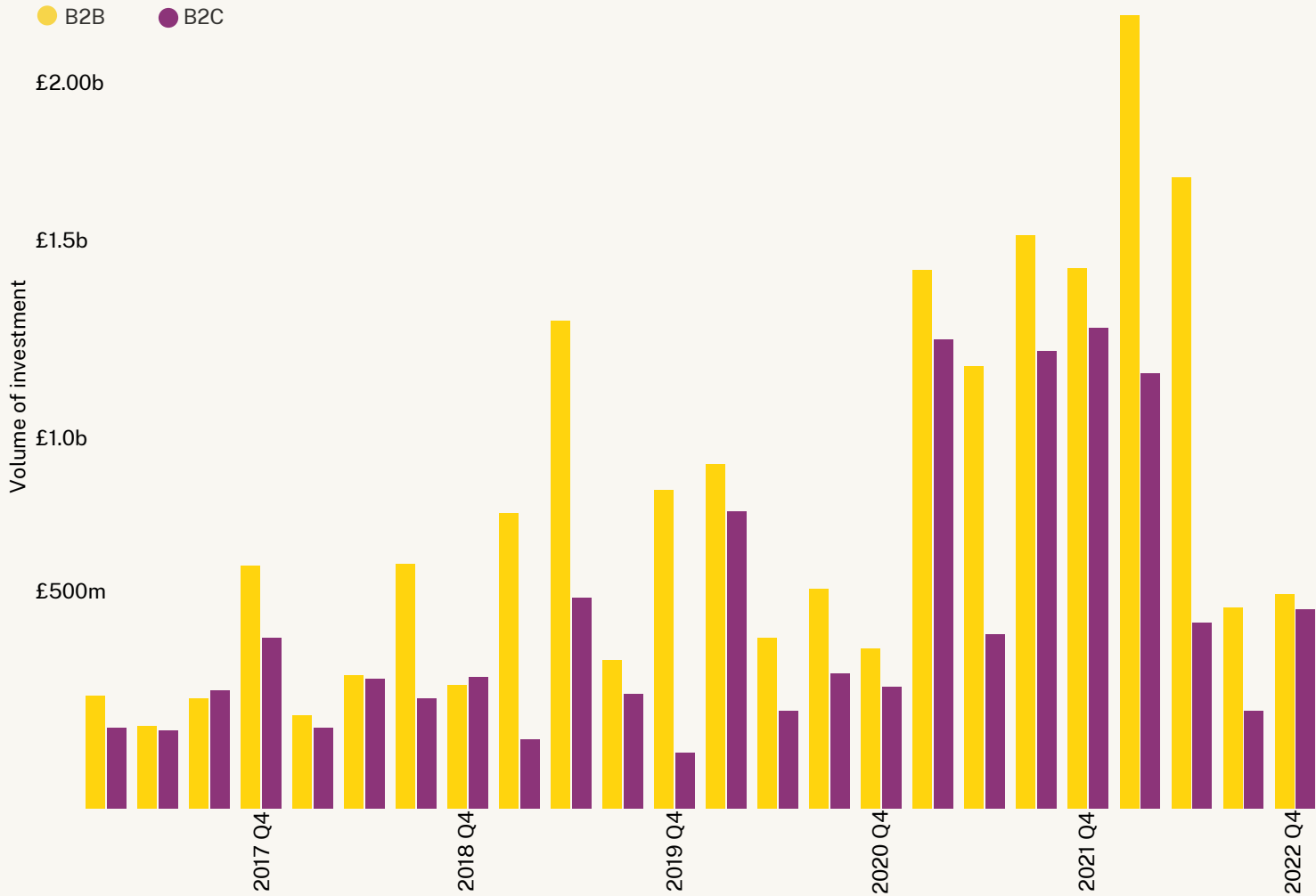


# B2B and B2C equity investment

Despite global economic uncertainty, Q1 2022 saw a strong start for equity investment into the UK fintech sector, particularly B2B firms, which secured an unprecedented £2.15b of equity finance. This was driven by large deals such as Checkout’s £730m equity deal from investors including Insight Partners and Altimeter Capital.

Since then, investment for both categories has returned to pre-pandemic levels, with the significant decline in B2B investment from the highs of Q1 2022 suggesting that these companies saw some of the frothiest levels of investment. B2C has seen a less dramatic decline as the highs were never quite as high. Still, as demand (or perceived demand) for consumer fintech services has dipped, investors have returned to more normal levels of investment.

Equity investment into B2B and B2C fintech companies by quarter (2017-2022)



## Female founders

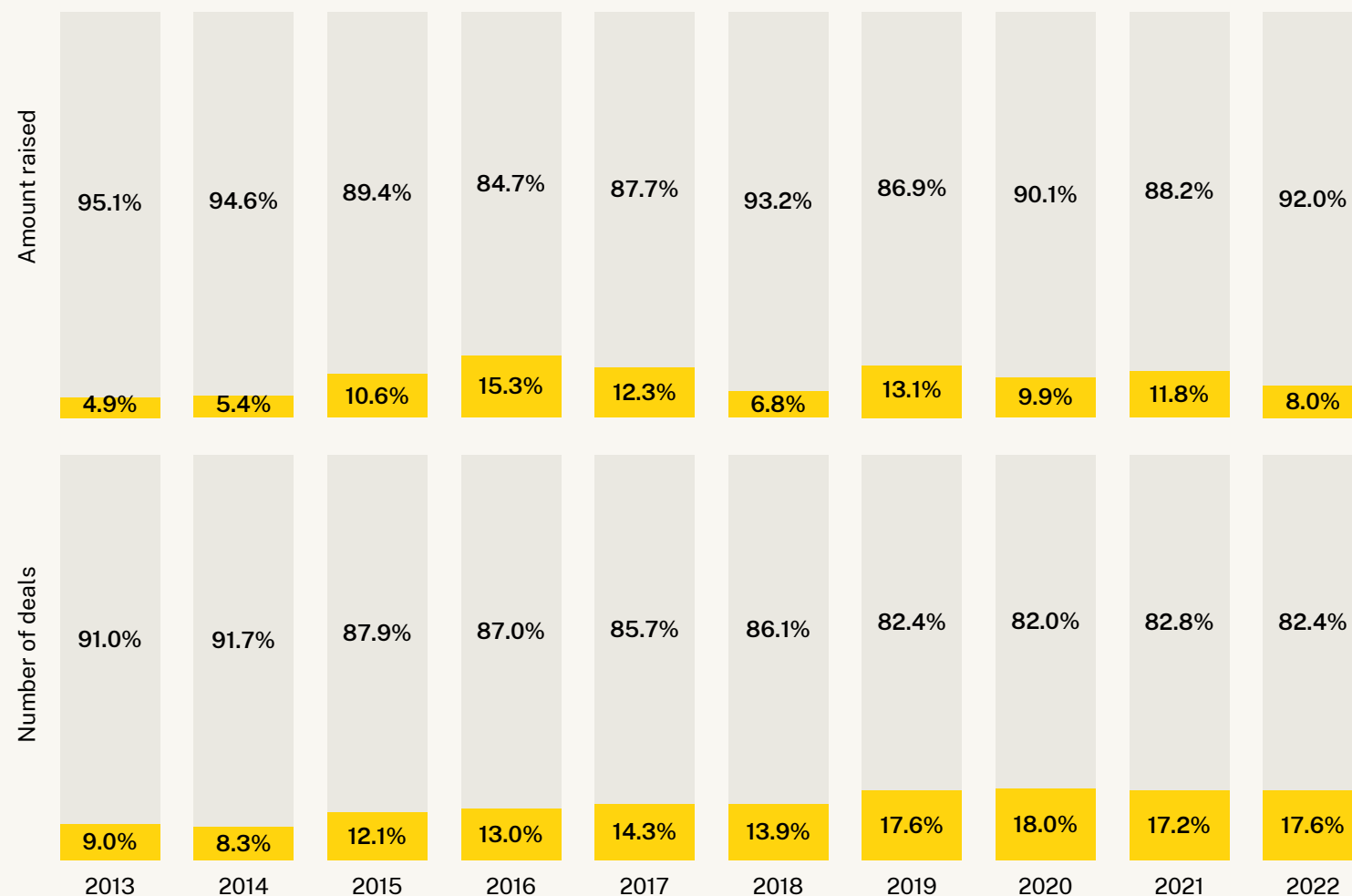
Since 2013, the number of deals secured by fintechs with female founders has increased fairly steadily. Unfortunately, the proportion of equity finance invested in companies with female founders is more volatile and decreased in 2022.

While there is an unfortunate disparity between investment into companies with at least one female founder and those without, the company population difference is a contributing factor. There are around 200 high-growth UK fintechs with at least one female founder, whereas there are around 1,300 with no female founders. As a result, fluctuations in deal numbers can shift the proportional breakdown significantly. Improving the proportion of female-founded fintech companies receiving equity finance requires both supporting business formation by female founders and improving access to finance.

The pattern observed in the fintech investment data is similar across sectors. High-growth companies with at least one female founder secured a record 27% of announced equity deals in the UK in 2022 but only 15% of the total value of equity investment.

Proportion of equity investment into fintechs by female founders (2013-2022)

● At least one female founder    ● No female founders



## The crypto winter?

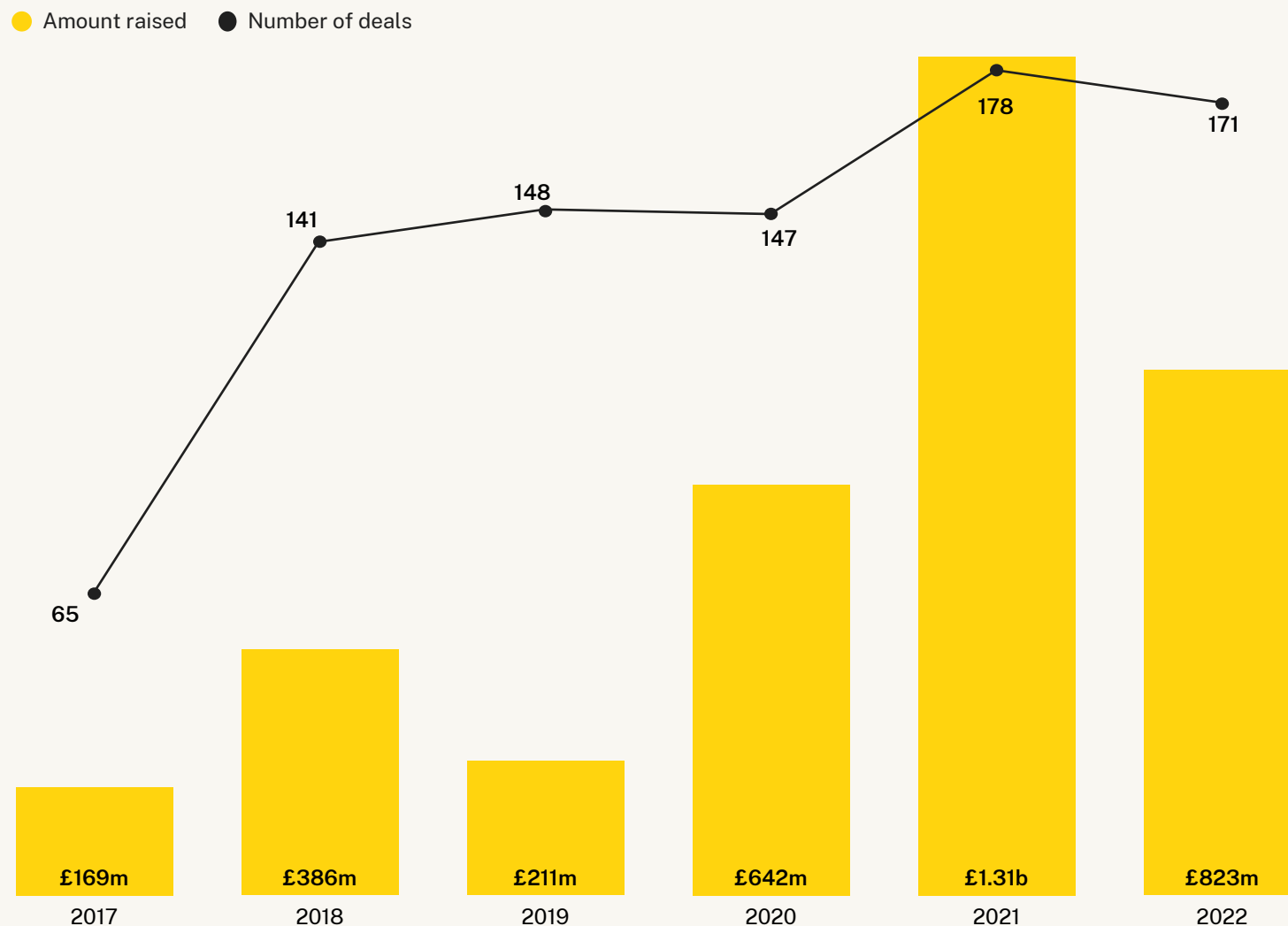
Crypto commentators have been referring to a “crypto winter” in light of the high-profile collapses of several prominent crypto firms and significant retrenchment in crypto asset prices. Despite the bearish sentiment, the number of deals secured by UK high-growth crypto and blockchain companies remained steady in 2022. However, the sector did see a nearly 40% reduction in investment in the companies.

Crucially though, the number of monthly active developers in the space has more than tripled since 2018<sup>1</sup> — suggesting that there is a significant amount of human capital around the world going into long-term value creation.

The decline in equity investment across tech sectors — not just crypto and blockchain — is at least partially attributable to a return to more “normal” conditions from the highs of 2021. So while some of the decline in investment may be linked to “crypto winter” sentiment, it is unlikely to reflect an overall reversal of investor appetite for the technology.

1. 2022 Electric Capital Developer Report

Equity investment into cryptocurrency and blockchain companies (2017-2022)



## Spotlight on ProGrad



Ethan Fraenkel, Co-founder and CEO  
Marco Logiudice, Co-founder and CPO

### Company summary

Sectors: Fintech, AI  
Launch: November 2020  
Equity raised: £2.72m  
Headquarters: London

*“Supporting our users to meet their financial goals, in the good times and bad times, is central to our vision.”*

Founded in 2020, ProGrad provides financial services for young people, including facilitating loans using its AI-powered credit scoring technology. The founders of the London-based company answered questions from the Deloitte Ventures team following ProGrad’s \$2.50m fundraising round in November 2022. The deal saw participation from Deloitte, AGAM, and TechStars Ventures.

### What is ProGrad and how are you revolutionising financial services for young people?

ProGrad is a fintech marketplace that helps Gen-Z find ways to earn, save or borrow money in order to achieve financial goals. The platform leverages alternative data points and Open Banking to personalise a customer’s financial journey, with a focus on financial literacy to help young people make informed decisions.

### Where did the idea originate, and how has this evolved?

ProGrad was born out of the problems we faced when trying to fund our master’s degrees. We soon got to work, and since June 2021 we have been building out the product — with a focus on building a world-class team. Our team, to name a few, now includes the former Head of Open Banking Delivery at NatWest, former Global Head of Technology at Barclays Capital, former Head of Enterprise Data Science at M&S. Together, we launched our beta platform in August

2022, and have already helped to connect over 50,000 users with earning, saving, and credit opportunities from financial and non-financial institutions including Santander, Revolut, Starling, Fiverr, and IndeedFlex.

### What sets ProGrad apart in the financial marketplace industry?

We have developed an AI-enabled, compliant and explainable affordability engine which is forward-looking, increasing access to finance for the underserved Gen-Z market — notably, the Future Earnings Potential engine. ProGrad is the only financial marketplace that focuses on the entire end-to-end journey for a young customer, featuring access to educational content, a community of like-minded individuals, and curation of the right financial and non-financial products based on the customers’ needs. Our vision is to leverage data to bundle together physical products, financial products, and other services to help people during key life moments.

### How will you use your seed investment?

The funding will be used to expand our marketing operations and improve our development capabilities. A key goal for 2023 is to double the number of companies we are partnered with and provide customers with more tailored solutions to save, earn, borrow, or invest money. Our latest funding round will allow us to act opportunistically, validating our ability to harness our rich data insights to provide users with tailored solutions to a

range of their financial goals, increasing the long-term value of our user base.

### What challenges did you face raising your seed round in the current fundraising environment and how has this affected your strategy?

We did raise in a difficult environment. I think increased investor scepticism and falling valuations in the public markets have led to increased scrutiny overall. However, this fundraising environment makes it even more important to find the right investors. Our investors share our vision for a more inclusive financial system and have demonstrated their commitment to helping the underserved.

Zooming out, the broader macroeconomic environment has led to the pullback of credit from lenders on our platform. This has required us to put more focus on other solutions for our users to meet their financial goals, such as enabling our users to earn money with a side hustle. Supporting our users to meet their financial goals, in the good times and bad times, is central to our vision — this funding is an important milestone at a time when financial support has never been as critical for young people with the current cost of living crisis and gloomy financial outcome.

As we continue to grow our monthly active user base, we will focus on how we can continue to engage our users at each life milestone, and subsequently, increase the lifetime value of our users.



## About

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Beauhurst is a searchable database of the UK's high-growth companies.

Our platform is trusted by thousands of business professionals to help them find, research and monitor the most ambitious businesses in the UK. We collect data on every company that meets our unique criteria of high-growth; from equity-backed startups to accelerator attendees, academic spinouts and fast-growing scaleups.

Our data is also used by journalists and researchers who seek to understand the high-growth economy, and powering studies by major organisations — including the British Business Bank, HM Treasury and Innovate UK — to help them develop effective policy.

For more information and a free demonstration, visit [beauhurst.com](http://beauhurst.com)

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As part of a global network of member firms in more than 150 countries, Deloitte's industry specialists provide comprehensive, integrated FinTech solutions and advice to help our clients meet their goals, realise the benefits of collaboration, plan new strategies and keep up-to-date on changes in technology, regulation and customer expectations.

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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