

Fintech

Deals & Acquisitions

Q1/2022 Trends

May 2022

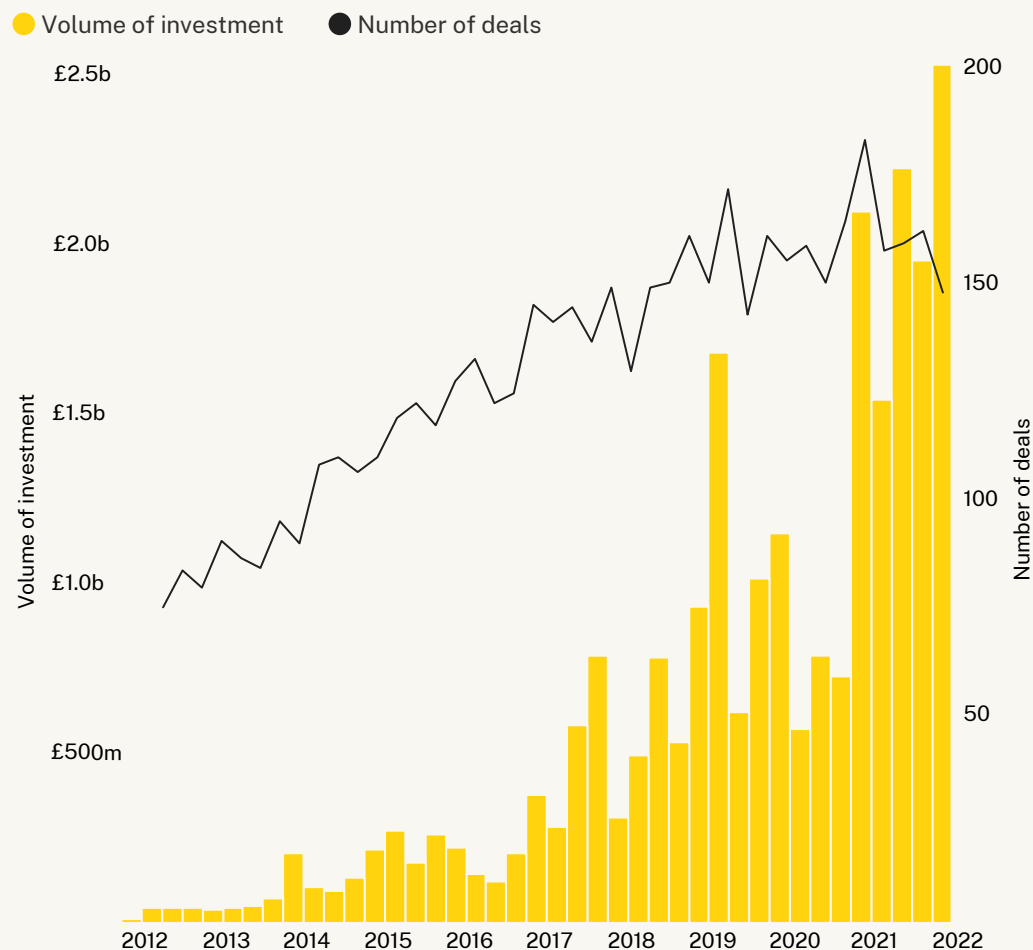
Fintech equity investment

The volume of equity investment into fintech companies during the first quarter of 2022 reached a ten year high, with £2.4b of deals secured. This growth follows the trends observed during 2021, indicating that fintech will continue to play a key role in the private markets.

Although the value of investment into fintech has continued to rise, the number of deals taking place diminished in Q1 2022. This also follows a general theme in the industry, with a decline in the number of investments made that can be observed since the beginning of 2021.

The data regarding fintech investments can become skewed when high-value deals take place in the field. One example of this is the £730m fundraising secured by Checkout.com during Q1 2022.

Equity investment into fintech by quarter (2012-Q1/2022)



Top equity deals secured by fintech companies (Q1/2022)

Checkout.com	£730m
Lendable	£210m
ClearBank	£175m
Genesis	£147m
GoCardless	£141m
PrimaryBid	£139m
Atom	£75.0m
Monzo	£74.0m
Qredo	£59.1m
ShareGain	£47.3m
BCB Group	£44.0m
Thought Machine	£40.0m

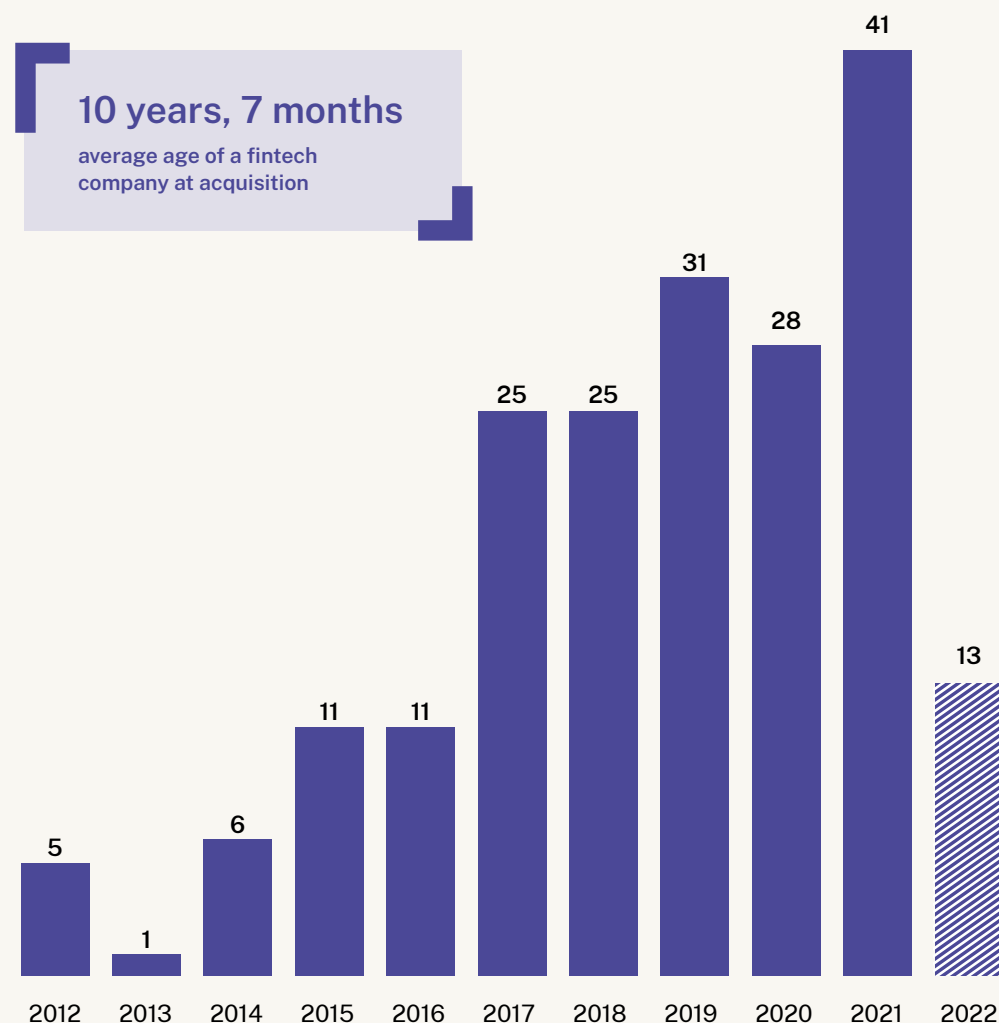
Fintech acquisitions

In the first quarter of 2022, there were 13 acquisitions of high-growth fintech companies. Assuming the number of exits taking place remains consistent for the rest of the year, this data indicates that 2022 has the potential to produce more fintech acquisitions than seen in previous years.

Across the past decade, there has been a continued growth in the number of exits via acquisitions including high-growth fintech businesses taking place. Between 2012 and 2021, there was a compound annual growth rate of 26.3%, reflecting the sector's continued popularity. The largest period of growth can be observed between 2016 and 2017, when the number of high-growth fintech companies undergoing an acquisition increased by 127% — rising from 11 to 25.

The average age of a fintech company at acquisition is 10 years, 7 months for the total period analysed (2012-Q1/2022). Over the course of the decade, the age at which fintech companies are being purchased is steadily declining. For the period from 2012 to 2015, this was 12 years, 1 month. This decreased to 11 years, 2 months between 2016 and 2018. For the most recent three year period, from 2019 to 2021, the average age at acquisition had decreased to 10 years, 8 months.

Acquisitions of high-growth fintech companies (2012-Q1/2022)



"Businesses are being disrupted by companies with the best technology that is embedded within them. FinTechs are leading that charge."

FinTechs are adding new features to their applications at pace, often accelerated through partnerships, in an attempt to gain greater chunks of the market and position themselves for long-term success.

The government has set out plans for the UK to be a global crypto-asset technology hub, which will see new innovations collide with traditional FinTech, and spur further acquisitions as FinTechs compete for the best technology and talent to scale their products."

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

Deloitte.

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.

Pennyworth

Size of equity deal	£475k
Round number for company	1

Launched in 2019 by Jeremy Takle and Ben Harvey, formerly of Barclays bank, Pennyworth is an app for financial planning and setting goals, and is currently in pre-application to become an authorised UK bank. With a pre-money valuation of £4.31m, the company raised its first equity round of £475k in March 2022.

Felloh

Size of equity deal	£400k
Round number for company	3

Headquartered in Lincolnshire, Felloh was incorporated in May 2020 and develops payment processing technology for managing and moving money in the travel industry. Felloh is also a B Corp, and raised its third equity round in March 2022 from Access EIS among other investors, bringing total investment to £708k.

Fiat Republic

Size of equity deal	£2.58m
Round number for company	1

Co-founders Adam Bialy, Martyna Lewinska and Sophie Guibaud launched Fiat Republic in June 2021, offering a platform aiming to bridge cryptocurrency platforms and traditional banking and financial institutions. The business secured £2.58m in February 2022 from Seedcamp, Credo Ventures and SpeedInvest.



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.

Kore Labs

Size of equity deal	£1.63m
Round number for company	3

Kore Labs was founded in 2017 by Sabrina Del Prete and Massi Delle Donne with a shared wealth of experience in financial services. The venture offers digital tools for creating, managing and monitoring financial products and raised equity of £1.63m in early 2022. Kore Labs has also received two Innovate UK grants — in 2020 and 2021.

Ordo

Size of equity deal	£1.42m
Round number for company	5

Based in Berkshire, Ordo launched in 2018 is a payment app for both personal and business use. In January 2022, Ordo secured a £1.42m equity deal from undisclosed investors. The company was also backed by Nationwide Building Society Ventures in a £1.95m seed stage deal in 2019.

Tumelo

Size of equity deal	£7.50m
Round number for company	4

Georgia Stewart, William Goodwin, and Benjamin King established Tumelo in 2017 aiming to create a more sustainable investment system by providing transparency on companies and facilitating shareholder voting on ESG issues. In addition to multiple accelerator attendances, Tumelo has raised equity funding totalling £9.70m.

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.

Chip

Size of equity deal	£6.27m
Round number for company	9

Chip develops a savings account app that uses Artificial Intelligence to determine how much a user can afford to save and then does this automatically. Chip's main funding source has been Crowdcube, most recently raising £6.27m in March 2022 and £10.9m in October 2021 — the latter gave Chip a post-money valuation of £86.4m.

Flagstone

Size of equity deal	£5.58m
Round number for company	8

Flagstone is a cash deposit platform providing access to a wide range of savings accounts offered by up to fifty different banks, allowing users to maximise interest and FSCS protection. In February 2022, Flagstone secured £5.58m from Wealth Club, Volution and some business angels with a post-money valuation of £169m.

ClearBank

Size of equity deal	£175m
Round number for company	6

Bristol-based ClearBank is a challenger bank founded in 2015 with the goal of increasing efficiency and transparency around the clearing of financial transactions. The fintech has raised a total of £351m of equity investment, most recently £175m from investors Clearwater International, PPF Group and Apax Partners.

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.

Brightpearl

Consideration paid	£225m
Acquirer	Sage

Brightpearl is a centralised operating system for retailers, allowing them to streamline and automate all processes of a business such as accounting, inventory management, shipping or purchasing. The multinational enterprise software company Sage bought the company in January 2022; the consideration paid was £225m.

Yobota

Consideration paid	Unknown
Acquirer	Chetwood Financial

Yobota is a banking platform aiming to deliver flexible and personalised financial products via intelligent APIs. After raising equity of £420k over two rounds, the company was acquired during its venture stage in March 2022 by Chetwood Financial, a digital bank based at Wrexham Technology Park in Wales.

Credit Kudos

Consideration paid	£114m
Acquirer	Apple

Credit Kudos provides credit scores to lenders by combining transaction and loan outcome data. Headquartered in London, the fintech venture raised £8.12m of equity investment over six deals between 2015 and 2020, and then was acquired by Apple in March 2022 for £114m.

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