

A FINE YEAR FOR FINTECH:

GLOBAL TRENDS FROM A UK PERSPECTIVE

LONDON
& PARTNERS

INNOVATE|FINANCE

September 2019

LONDON & PARTNERS

London & Partners is the Mayor of London's official promotional agency. We exist to support the Mayor's priorities by promoting London internationally as a leading world city in which to invest, work, study and visit.

Our work helps achieve "good growth" for London and Londoners, as outlined in the Mayor's economic development strategy.

We do this by focusing on:

- Building London's international reputation.
- Attracting international audiences and convincing them to choose London.
- Guiding international audiences to make the most of what London has to offer.
- Helping to retain and grow London's businesses.

We tell London's story brilliantly to an international audience and we do this in partnership with organisations and people who have a stake in London's international promotion.

INNOVATE / FINANCE

Innovate Finance is the independent membership association that represents the UK's global FinTech community. Our mission is to accelerate the country's leading position in the financial services sector by directly supporting the next generation of technology-led financial services innovators.

More than 250 global members have joined the Innovate Finance ecosystem to date, ranging from seed stage startups to global financial institutions and professional services firms. All benefit from Innovate Finance's leading position as the single point of access to promote enabling policy and regulation, talent development, business opportunity and growth, and investment capital.

By bringing together the most forward-thinking participants in financial services, Innovate Finance is helping create a global financial services sector that is more sustainable, more inclusive and better for everyone.

The UK's FinTech scene

The UK holds a long-standing position as a major leading financial centre. Over the last decade, innovation has transformed global financial services, with the emergence and rapid growth of financial technology. A host of companies have emerged, transforming the UK from a leading financial services centre, to a nationwide hub leading in global FinTech innovation.

The UK FinTech scene has been internationally recognised as a world-leading environment where FinTechs can thrive and scale with technological innovation.

Generating revenue of £6.6bn¹ per year, the UK's 1,600² FinTech firms are amongst the most innovative in the world.

London is at the very heart of this convergence and transformation – a global hub for FinTech and financial services. The capital is the leading global financial centre and is Europe's most valuable tech startup ecosystem valued at \$47bn³. With average early-stage startup funding of more than double the global average, there is no sign of a slowdown in innovation.

Home to an incredible pool of world-class talent, 44,000⁴ people work specifically in FinTech roles in London – more than in Silicon Valley or New York. The UK capital provides a gateway to one of the most promising FinTech consumer markets in the world, offering excellent access to customers.

¹EY Census 2017

²UK FinTech State of Nation, Department for International Trade, April 2019

³Global Startup Ecosystem Report 2019, Startup Genome

⁴Fintech in the UK, City of London Corporation 2018

Executive summary

This report explores the FinTech VC investment landscape, comparing countries and cities in terms of deal value, deal count and sources of investment.

The top countries for FinTech VC investment as of August 2019* are the US, UK and Germany, with China falling to fourth place from the top spot in 2018. The US demonstrates the most mature market with \$9.37bn invested across 477 deals. The UK takes second spot globally and leads in Europe, with \$2.29bn across 142 deals.

London's FinTech sector has consistently attracted more VC investment deals than any other city in the world. The UK capital also comes second globally in terms of FinTech deal value after San Francisco.

On a global comparison, London attracts a more international investor mix than North American cities with nearly 39% of investors coming from outside Europe. Only 11% of investors in San Francisco come from outside of North America, and 15% in New York.

The report focuses on 2019 and includes:

- A country comparison of global FinTech investment.
- Top five countries by deal value and deal count.
- A city comparison of global FinTech investment.
- European comparison of FinTech investment.
- The top 10 European VC investments in FinTech.
- Investor HQ analysis.

*Data period 1 January to 16 August 2019

Setting the context – the FinTech investment landscape

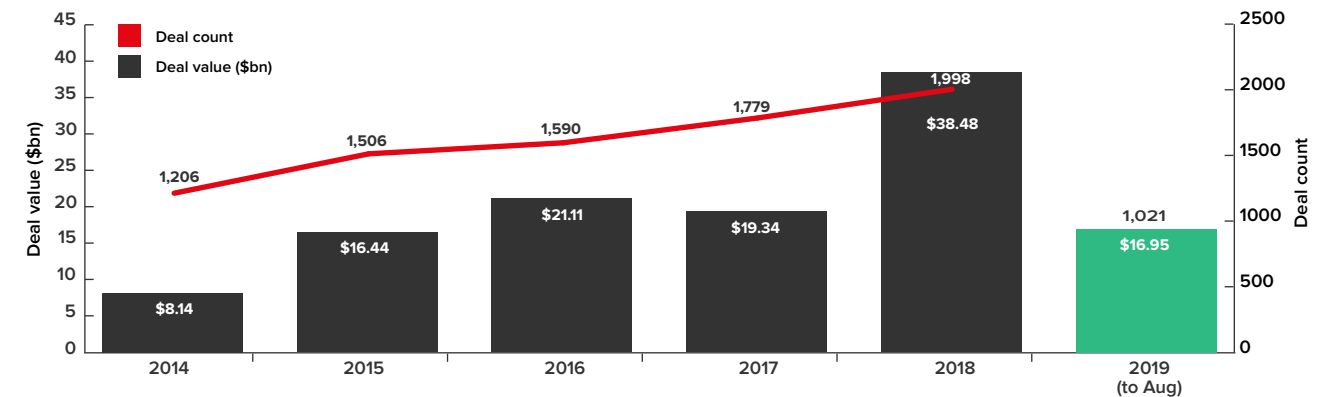
Global FinTech investment trends remain strong. 2018 was a record year globally, boosted by Ant Financial's massive \$14bn deal in China, but investment levels in the first eight months of 2019 (to August) appear strong – with just under \$17bn raised so far across more than 1,000 deals.

While the US is the largest market globally, with \$9.37bn raised so far in 2019, the UK has seen record levels of investment already recorded this year.

\$2.29bn has been invested across 142 deals in the first eight months of the year, surpassing totals seen in any previous full year already and ensuring that the UK remains on track for another record full year.

Germany has also performed strongly, with investment reaching record levels in 2019, following growth of more than 400% between 2014 to 2018, with just under \$1bn invested in German companies across 37 deals so far in 2019.

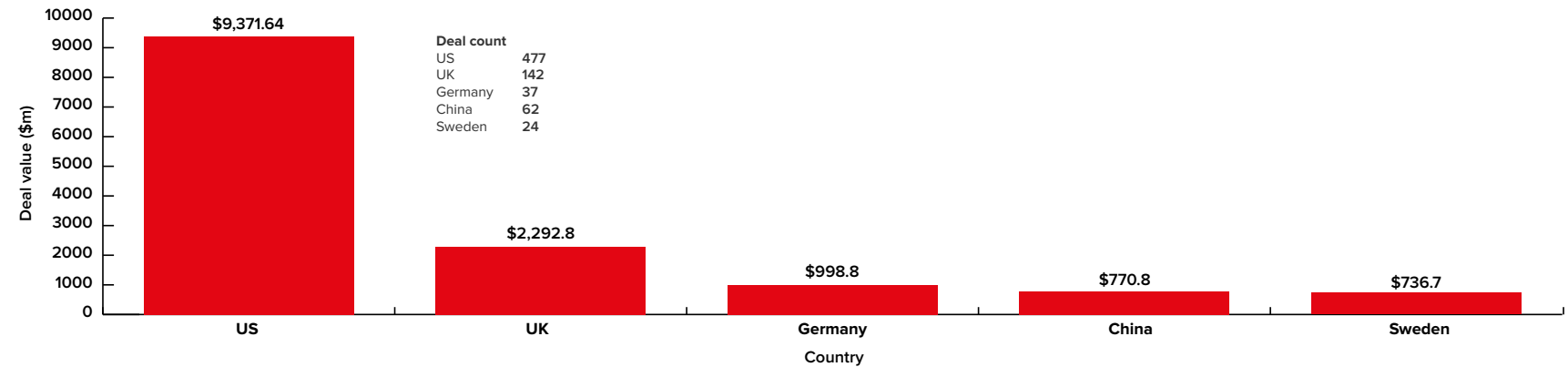
Global FinTech investment trends



A country comparison of global FinTech investment in 2019

The US is the leading country for FinTech investment this year to August 2019, with \$9.37bn invested across 477 deals. The UK ranks second with \$2.29bn across 142 deals. Germany, China and Sweden complete the top five in terms of deal value.

Top five countries by deal value 2019 (to August)

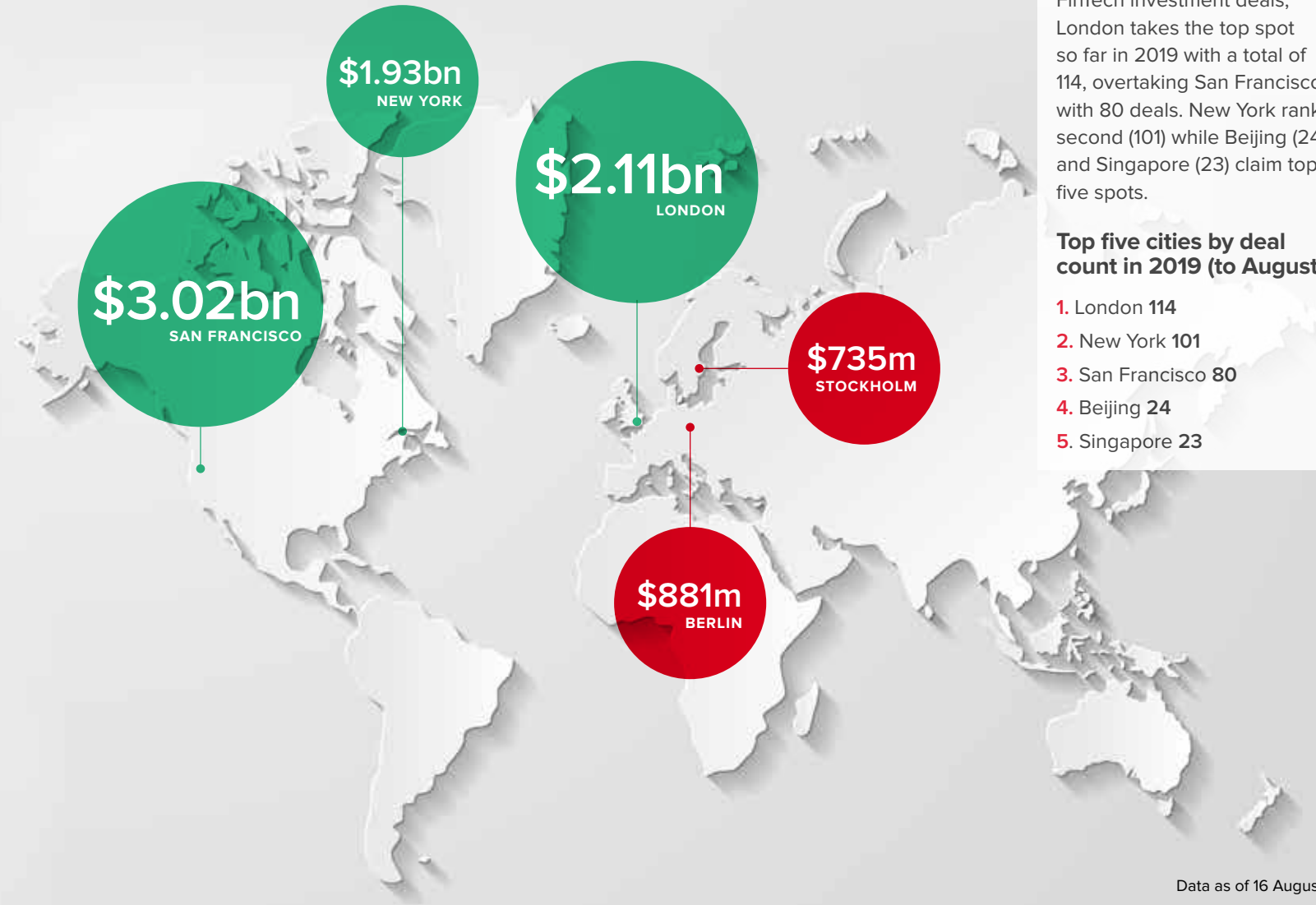


A city comparison of global FinTech investment in 2019

San Francisco leads with the highest deal value of \$3.02bn, while London takes second place with \$2.11bn. New York follows closely with \$1.93bn and Berlin and Stockholm rank fourth and fifth.

Top five cities by deal value in 2019 (to August) (\$)

1. San Francisco 3.02bn
2. London 2.11bn
3. New York 1.93bn
4. Berlin 881m
5. Stockholm 735m



In terms of the number of FinTech investment deals, London takes the top spot so far in 2019 with a total of 114, overtaking San Francisco with 80 deals. New York ranks second (101) while Beijing (24) and Singapore (23) claim top five spots.

Top five cities by deal count in 2019 (to August)

1. London 114
2. New York 101
3. San Francisco 80
4. Beijing 24
5. Singapore 23

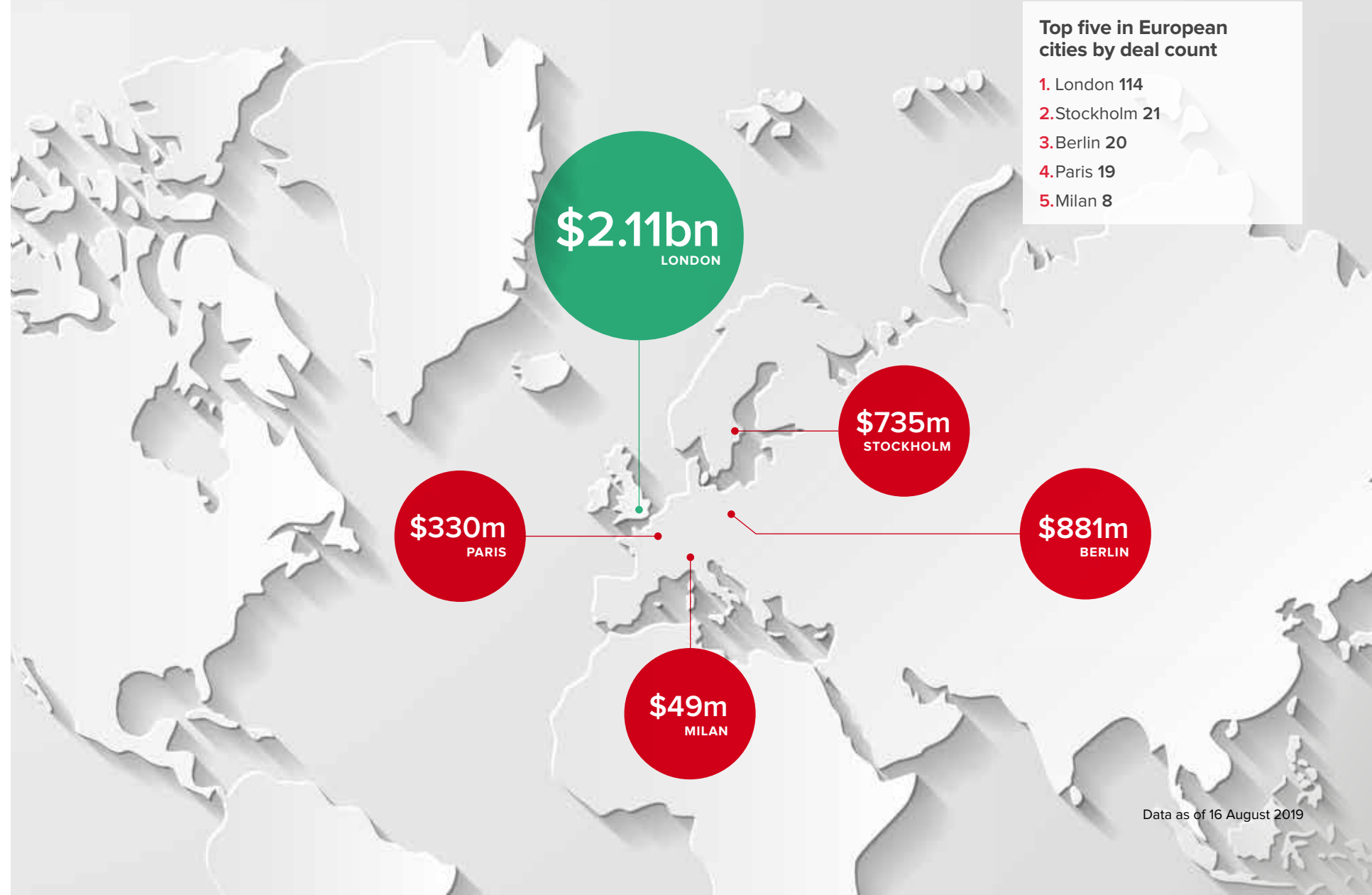
European comparison of FinTech investment in 2019

In Europe, London leads for both the number of deals and investment value this year so far. The city has seen a dramatic increase in FinTech investment, surpassing the total amount raised in 2018 (\$1.83bn) within the first eight months of 2019.

Berlin takes second spot with a total of \$881m, followed by Stockholm (\$734m), Paris (\$330m) and Milan (\$49m).

Top five in European cities by deal value (\$)

1. London 2.11bn
2. Berlin 881m
3. Stockholm 734m
4. Paris 330m
5. Milan 49m



Top five in European cities by deal count

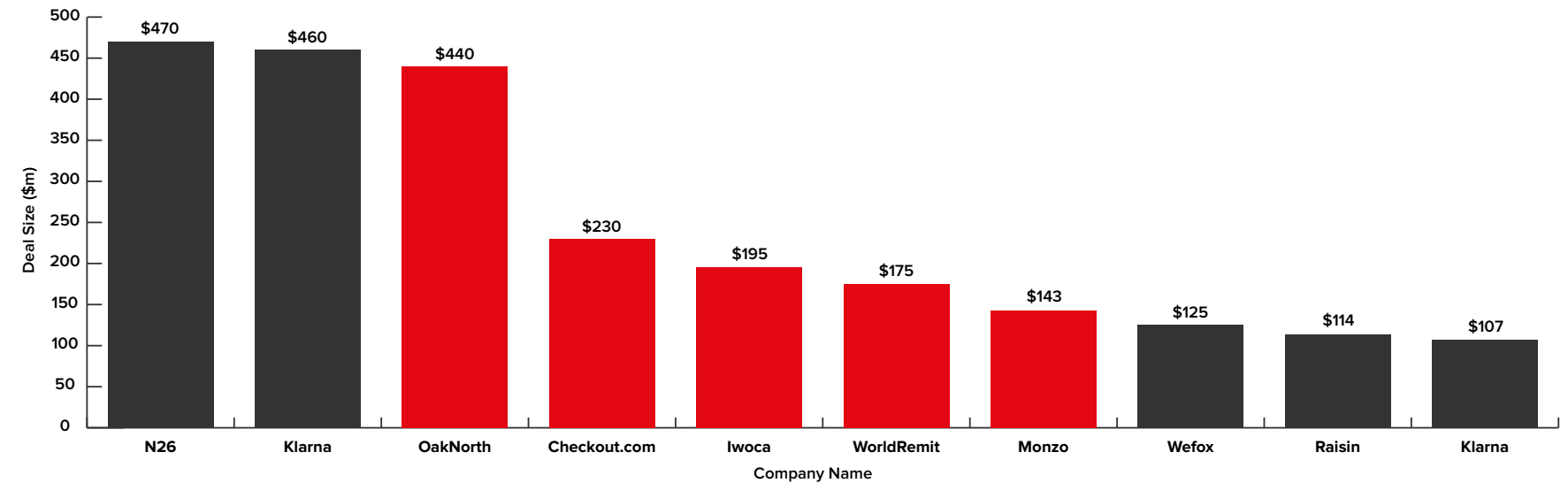
1. London 114
2. Stockholm 21
3. Berlin 20
4. Paris 19
5. Milan 8

The top 10 European VC investments in FinTech in 2019

Out of the largest 10 European investments recorded so far in 2019, London-based companies account for half of these deals, totalling \$1.18bn between them. The UK capital's FinTech sector is a leading source of high value scaleup companies, with Monzo and WorldRemit featuring amongst the city's unicorn successes.

Company Name	Deal Size (\$M)	City
N26	470	Berlin
Klarna	460	Stockholm
OakNorth	440	London
Checkout.com	230	London
Iwoca	195	London
WorldRemit	175	London
Monzo	143	London
Wefox	125	Berlin
Raisin	114	Berlin
Klarna	107	Stockholm

Top European VC investment deals in 2019 (to August)*



* Note: the PE growth deal for London based Greensill Capital worth \$800m completed in August 2019 has been excluded from the above list of deals and accompanying analysis in this report, as it does not fit the research methodology used in this report. Refer to the appendix for more information.

Investor headquarter analysis

An analysis into the top 10 cities by number of FinTech deals in 2019 shows that London has the most “international” investors, with 54% of total VC investment deals involving an investor from outside the UK.*

The UK capital attracts a wider international variety of investors than other European hubs, with 39% of investors coming from outside Europe, compared to 32% in Berlin and Paris with 24%. London also attracts a wider international investor mix than North American cities; only 11% of investors in San Francisco came from outside of North America, and 15% in New York.

Map showing investor HQ analysis into London

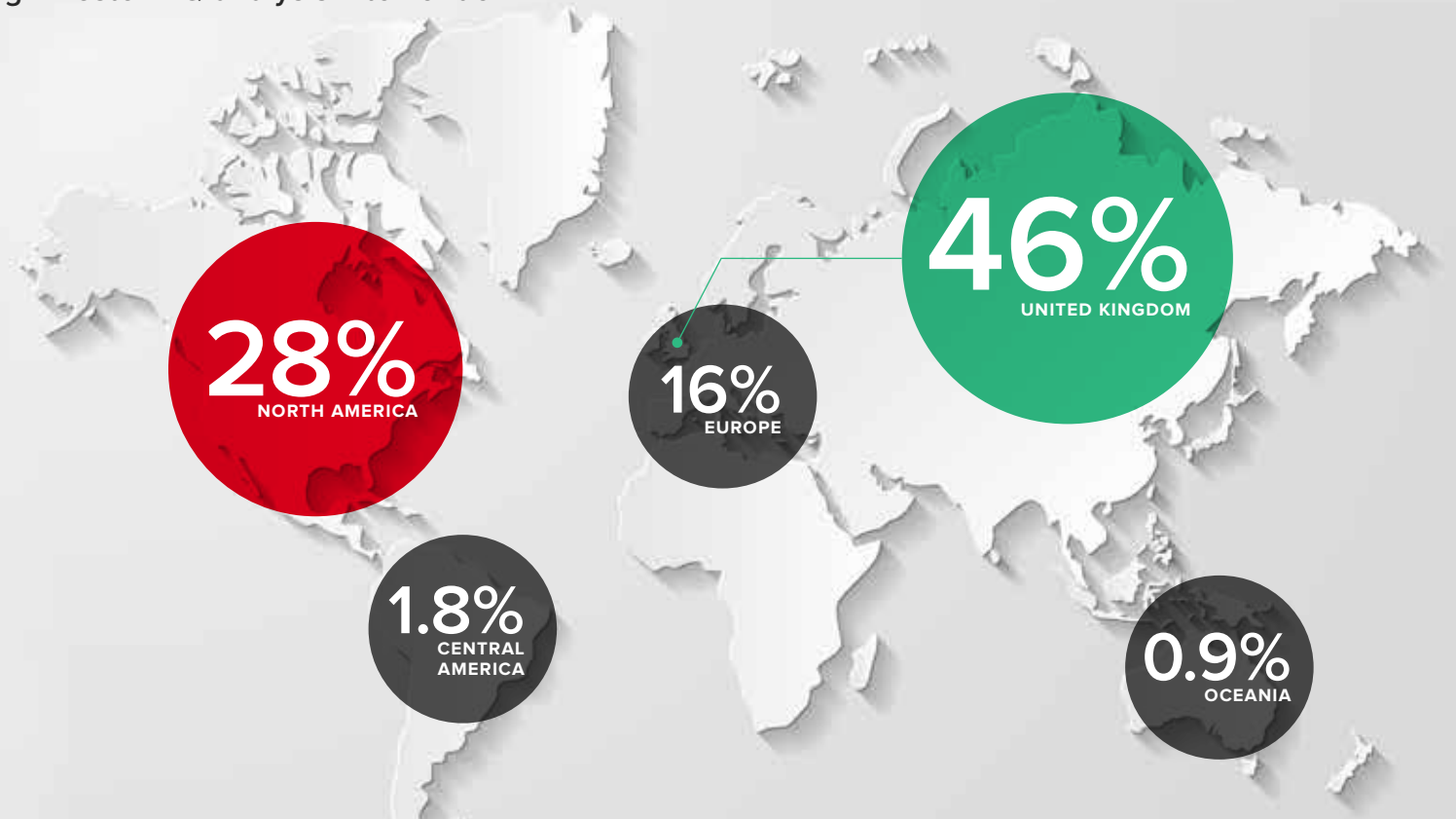


Table showing investor HQ analysis for top five cities

	Asia	Europe	North America	Oceania	Central America	Africa	United Kingdom
San Francisco	3%	3%	89%	0.3%	0.3%	0.3%	4%
New York	7%	4%	85%	0.0%	0.7%	0.3%	3%
London	8%	16%	28%	0.9%	1.8%	0.0%	46%
Stockholm	0%	60%	25%	2.5%	2.5%	0.0%	10%
Berlin	10%	56%	23%	0.0%	0.0%	0.0%	11%

*Investors whose source location was unknown were excluded from these results.
 **Investor count represents the total number of investors involved on FinTech deals in each city.

Notes to editors

About PitchBook

PitchBook is a financial data and software company that provides transparency into the capital markets to help professionals discover and execute opportunities with confidence and efficiency. PitchBook collects and analyzes detailed data on the entire venture capital, private equity and M&A landscape—including public and private companies, investors, funds, investments, exits and people. The company's data and analysis are available through the PitchBook Platform, industry news and in-depth reports. Founded in 2007, PitchBook has offices in Seattle, San Francisco, New York and London and serves nearly 40,000 professionals around the world. In 2016, Morningstar acquired PitchBook, which now operates as an independent subsidiary.

Research Notes:

Research data provided by PitchBook, with data as of 16th August 2019.

FinTech covers PitchBook vertical “FinTech” as well as industry “Financial Software”. Venture Capital deal value figures include the deal types VC (all rounds and series). Private Equity Growth/Expansion deals also included if the company received previous venture funding and has not yet held any kind of exit.

Deal value figures include all deals completed within the prescribed parameters. Deal volume figures include deals without a disclosed deal value. City related deal values represents investment into FinTech companies which are headquartered in each city, as defined by PitchBook. City rankings and top deal profiles reflect all deals completed or announced.

Investor HQ location data is based upon the HQ region/location of the total number of investors involved on FinTech deals in each city. Excludes any investors whose source location is unknown.

Appendix

Fintech VC Investment trends by selected country, 2014 to 2019 (to August)

	Capital invested (M)					
	2014	2015	2016	2017	2018	2019 (to Aug)
US	\$4,843.5	\$7,101.0	\$7,548.1	\$7,105.4	\$12,394.7	\$9,371.6
UK	\$763.0	\$1,111.5	\$766.9	\$2,169.3	\$1,989.2	\$2,292.8
Germany	\$129.4	\$278.4	\$510.4	\$510.7	\$671.6	\$998.8
China	\$1,067.9	\$4,589.6	\$9,739.5	\$4,599.4	\$18,060.6	\$770.8
Sweden	\$148.3	\$186.3	\$59.7	\$327.6	\$20.3	\$736.7
India	\$125.6	\$1,800.2	\$651.6	\$2,122.1	\$1,460.3	\$340.8
France	\$66.4	\$76.7	\$151.1	\$202.3	\$259.3	\$340.2
Hong Kong	\$55.1	\$144.7	\$190.4	\$577.4	\$321.1	\$71.7

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