

FinTech Facing Forward

Monitor **Q2 2024**



July 2024

Introducing the **FinTech Facing Forward** monitor

As you may know, Roodhals Capital has been involved in Financial Services transactions over a decade. We have been working on investment & funding solutions for our clients, being either seasoned lending platforms, institutional investors or ambitious start-ups.

From 2022 onwards, we have decided to share insights structurally through this **FinTech Facing Forward** monitor, which keeps track of the latest developments in the various segments of the Dutch (and Western-European) FinTech landscape (see below).

You can expect us to be (slightly) biased. What can we say? We love our clients. Cleanly looking at global size (in terms of market capitalization), you should be all over Payments. However, our expertise is more along the lines of lending platforms, mortgages and real estate, wealth management and insurance solutions.

Enough about that. Here we go...



Big Data Analytics | Blockchain | Cloud computing | Internet of Things | Artificial Intelligence | Automation (RPA) | Open Banking



In-sider Out-look

Q2 2024 – Silence before the storm?

After a strong first quarter of 2024 financial markets have continued to rally into the second quarter despite ongoing concerns about inflation.

Tech mega-caps continued to rise, despite most tech stocks declining in price. As a result, the Roodhals Fintech Index (-5.9%) declined this quarter while the MSCI benchmark continued to grow (page 8).

In this edition, we are zooming in on THE driver of equity market performance in 2024: *Generative AI*.

AI chip titan Nvidia has soared 200% in the last twelve months. **We dive deeper into integrating generative AI** into organisations and how scaling up challenges can be overcome to utilize this potential (page 4).

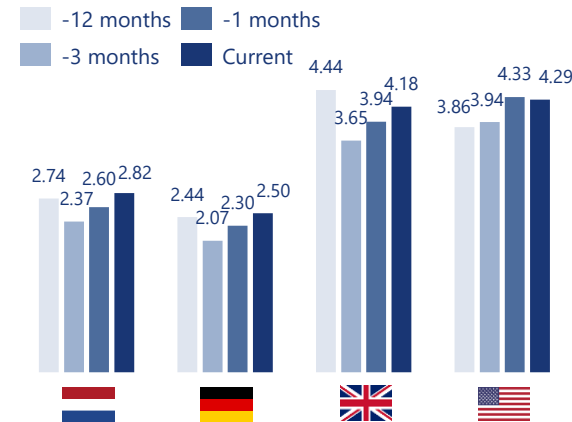
On the private markets side: we were expecting transaction volumes to increase from Q1 onwards, which did not fully materialise. Global M&A and IPO activity in Fintech has not significantly rebounded. However, at Roodhals, we can feel deals are in the making... (page 11 & 12).

In The Netherlands, consolidation has kickstarted with Cape Investment Partners taking a majority stake in **Mogelijk**, a large CRE lending platform (page 14). With Dutch Mezzanine Fund providing additional capital to this combination, we might see Mogelijk venture further into the non-bank financial services.

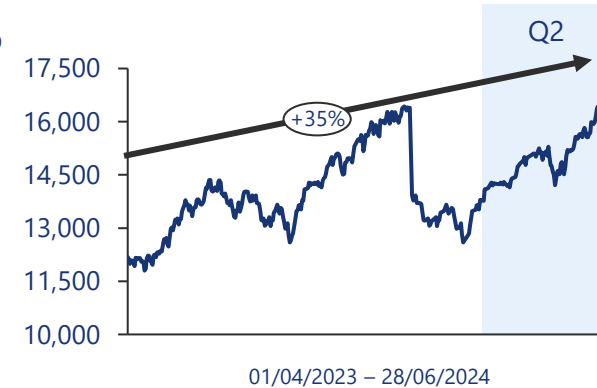
Let us see how that continues...

Graphs

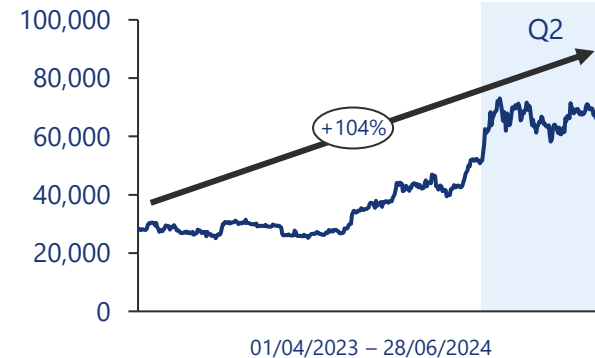
10Y Government Bond rate development



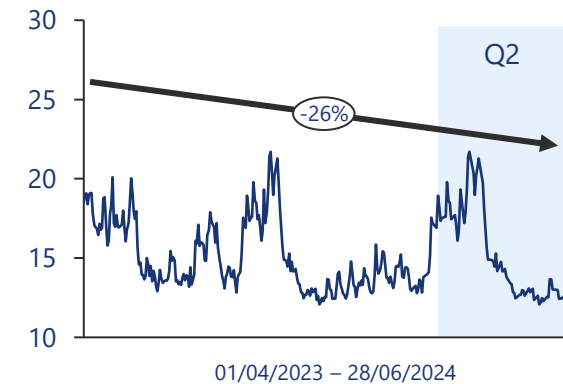
NASDAQ Composite Index



Bitcoin (BTC-USD)



CBOE Volatility Index (VIX)



Theme: Generative AI | The challenge of scaling up

Introduction

- **Gen AI** describes algorithms (such as ChatGPT) that can be used to create new content, with financial institutions adopting this technology as seen in the key stats.
- Gen AI is pushing fintech forward, making it more **agile, efficient and seamless**. Banks are piloting with tools, and in the lending space there are great opportunities.
- However, scaling up quickly presents **complex challenges** that need to be overcome to truly utilise the potential of gen AI.



Overcome scaling up challenges

Centralised organisation

Financial institutions achieve greater success with gen AI by adopting centralised leadership for critical decisions and resource allocation.

Treat data as an asset

Elevate and govern data as a corporate asset to unlock its full value and drive successful digital transformation.

AI as strategic centrepiece

Elevate gen AI to a CEO-level priority to drive implementation, scaling, and widespread adoption.

AI as a people play

Success with gen AI hinges on effective end-user adoption and robust change management.

Robust infrastructure

Establishing a scalable, enterprise-wide AI infrastructure ensures effective deployment and integration across the organisation.

Sequential rollout across domains

Focus on scaling 1-2 key areas first to achieve significant impact before expanding to other domains.

Key stats



Adoption

90% of financial institutions have to some degree a centralised Gen AI function in their infrastructure.



Market size

The global gen AI in fintech market size was estimated at \$ 1,118m in 2023, growing at a CAGR of 36.15% until 2034.



Impact

32% of early gen AI adopters report major improvements in efficiency or outcomes.

Banks are piloting generative AI tools

JPMorgan Pilots Generative AI Tool for Private Bank – Business Insider
23/05/2024

NatWest prepares to introduce GenAI-powered virtual assistant Cora+ in collaboration with IBM - FinTech Futures 11/06/2024

Key generative AI opportunities in the lending segment

The deployment of gen AI could lead to great opportunities in the lending segment

Doing the same thing better

Miniaturise unsecured lending to be use-specific

Provide personalised, practicable advice in real time

Offer tailored, always-on experiences across channels

Doing something radically different

Predict defaults with greater accuracy

Automate and augment business credit decision-making



A UK bank that analyses alternative data to quickly originate bespoke loans for small and medium-sized businesses

In the news

April

Fintech giant Stripe says raised \$694 mln in tender offer
12 April 2024



Revolut Valuation Raised 45% By Schroders Shows Fintech Rebound
15 April 2024



UK government announces open finance task force
15 April 2024

UK digital bank Zopa turns profit as it eyes IPO
15 April 2024



Klarna to launch credit card offering in the US "over the next few months"
18 April 2024



Walmart-backed fintech One launches 'buy now, pay later' services, source says
23 April 2024



HSBC and PayPal join group pioneering quantum-safe cryptography
30 April 2024



May

Visa Launches Gen AI-Powered Fraud Solution
8 May 2024



NAB partners UK fintech Banked to boost merchant adoption of A2A payment solutions
8 May 2024



Saudi Fintech's \$224 Million IPO Draws Orders Worth \$29 Billion
22 May 2024



CFPB's new rule aligns BNPL with credit card standards, sparks industry reactions
27 May 2024



Fintech N26 says regulatory action cost it 'billions' in lost growth
28 May 2024



Klarna using GenAI to cut marketing costs by \$10 mln annually
28 May 2024



June

Europe's fintech funding slowdown dampens mood at Amsterdam event
6 June 2024

Ant Group's US\$2.9 billion tech investment helps fintech giant reach ESG goals
13 June 2024



Apple scraps 'buy now, pay later' service in US just months after rollout
17 June 2024



Revolut seeks valuation of more than \$40bn in employee share sale
20 June 2024



Fintech Firm Pine Labs Weighs \$1 Billion IPO in India
21 June 2024



HSBC Leads \$250 Million Loan to Fintech Startup FundPark
25 June 2024



Roodhals Capital FinTech Index

The Roodhals FinTech index consists of 123 publicly listed financial technology companies that are active in developed markets (primarily Europe and North America). Every quarter, our team evaluates the index constituents and potential additions/removals based on quantitative and qualitative criteria. The Index is market capitalisation weighted.

123
Companies

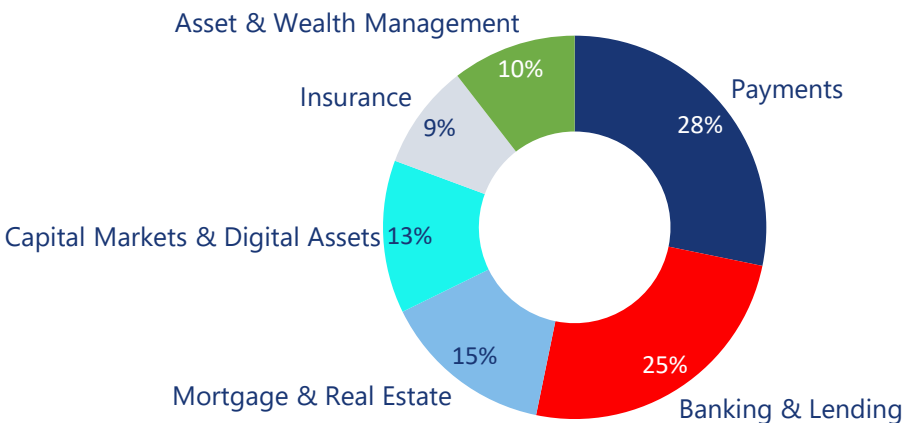
€2.162t
Total market cap

3.3x
Revenue multiple

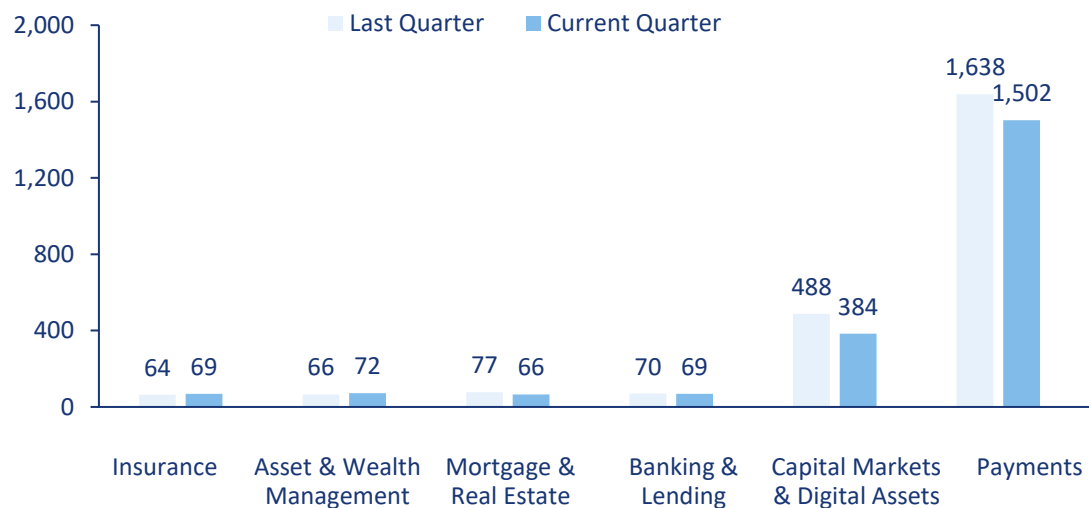
16.3x
EBITDA multiple

Index leavers
LINKGroup

Segment by number of companies



Segment by market capitalisation in €b



































































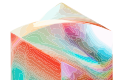














Comments

- The largest segments in our index are Payments and Banking & Lending by the number of firms.
- Note that the Payments segment is the largest considering the market capitalisations.

Roodhals Capital FinTech Index

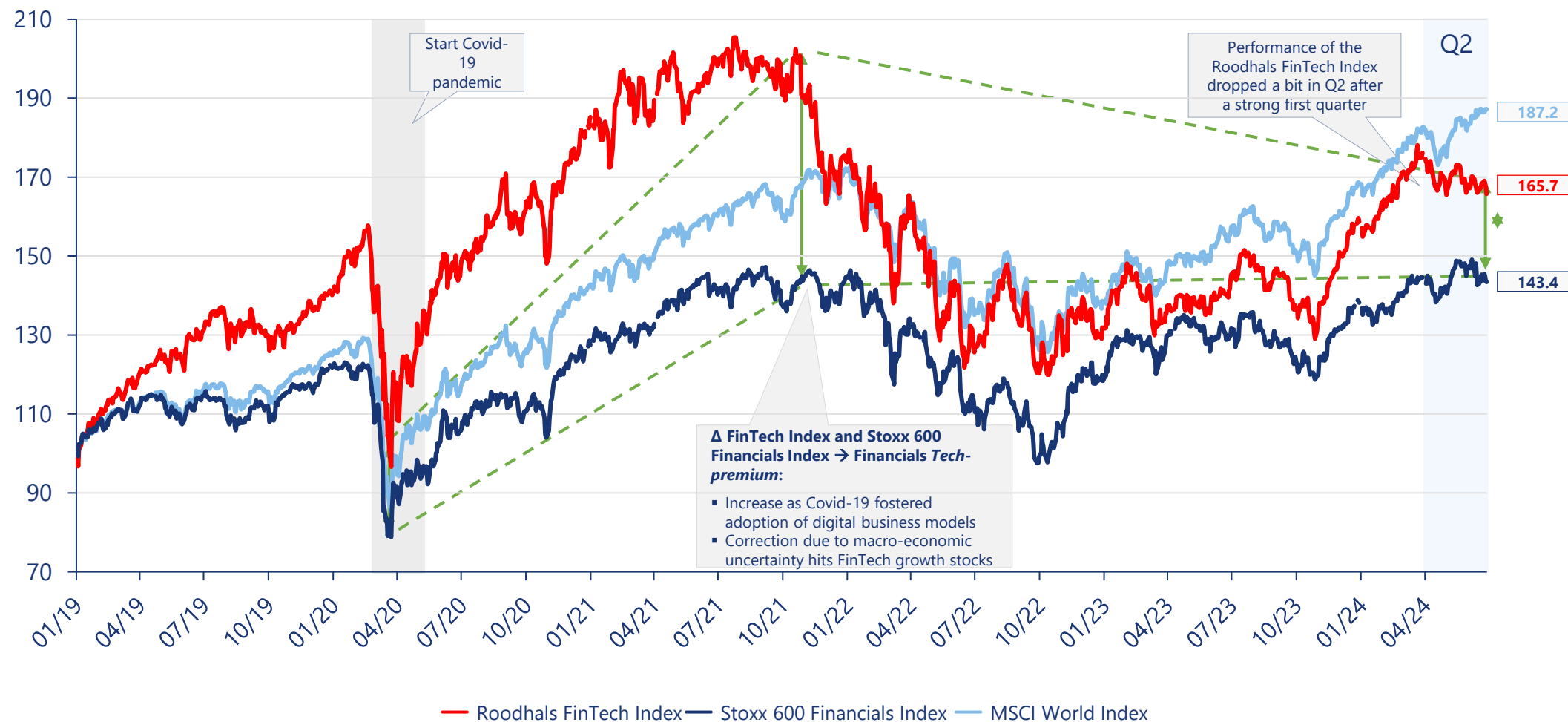
Index constituents

Mortgage & Real Estate	Asset & Wealth Management	Insurance	Banking & Lending	Capital Markets & Digital Assets	Payments
                 	           	          	                              	                	                               

Note: companies can be active in multiple segments; we categorize on primary activity.
Sources: Capital IQ, Roodhals analysis.

Roodhals Capital FinTech Index

The Financials Tech-premium has surged in the last 6 months (01/01/2019 = 100)



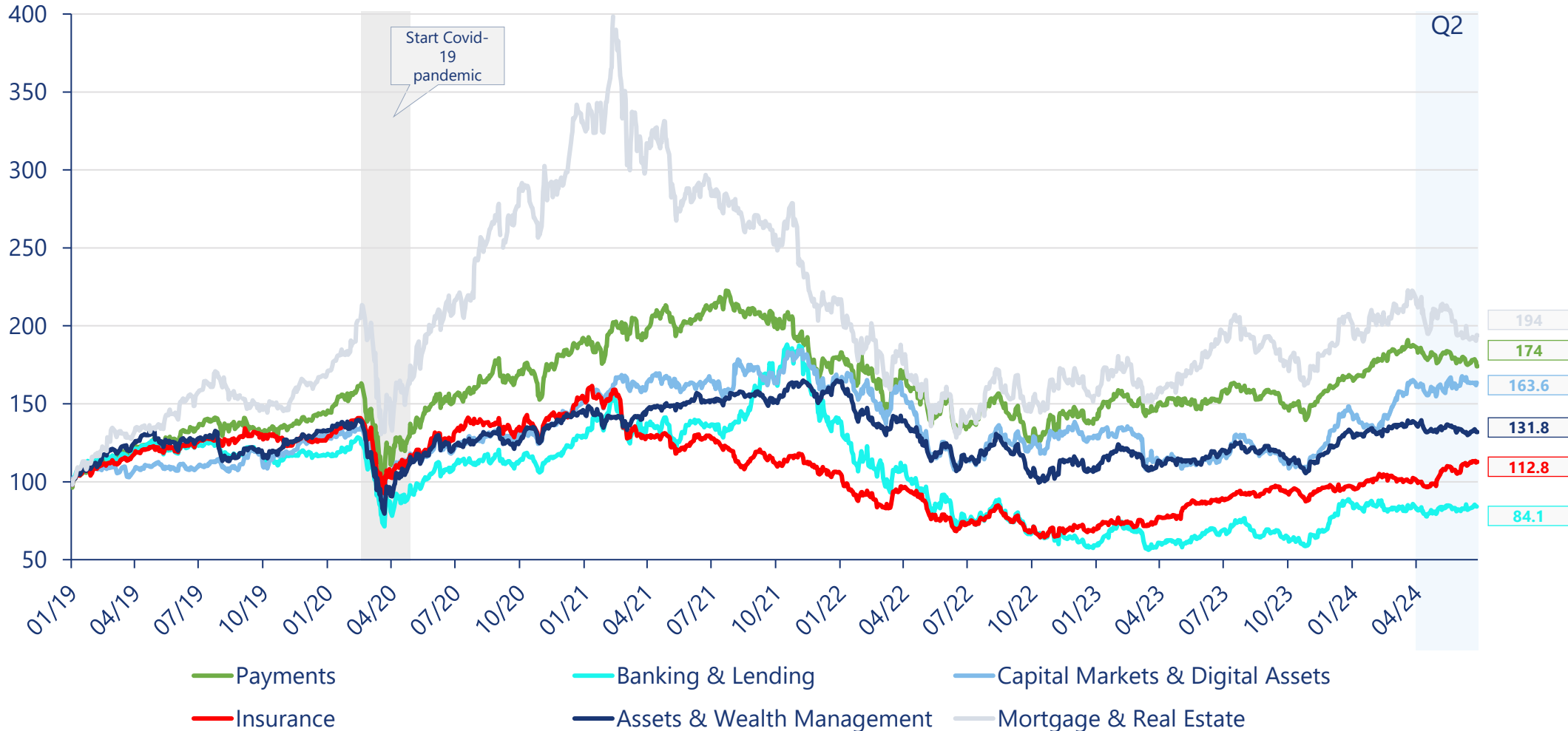
Roodhals FinTech Index return*	
YTD	5.5%
1 month	-1.4%
3 months	-5.9%
6 months	5.5%
1 year	17.0%
Inception	65.7%

*Not adjusted for dividends
Sources: S&P Capital IQ, Roodhals team analysis

Roodhals Capital FinTech Index | Segments

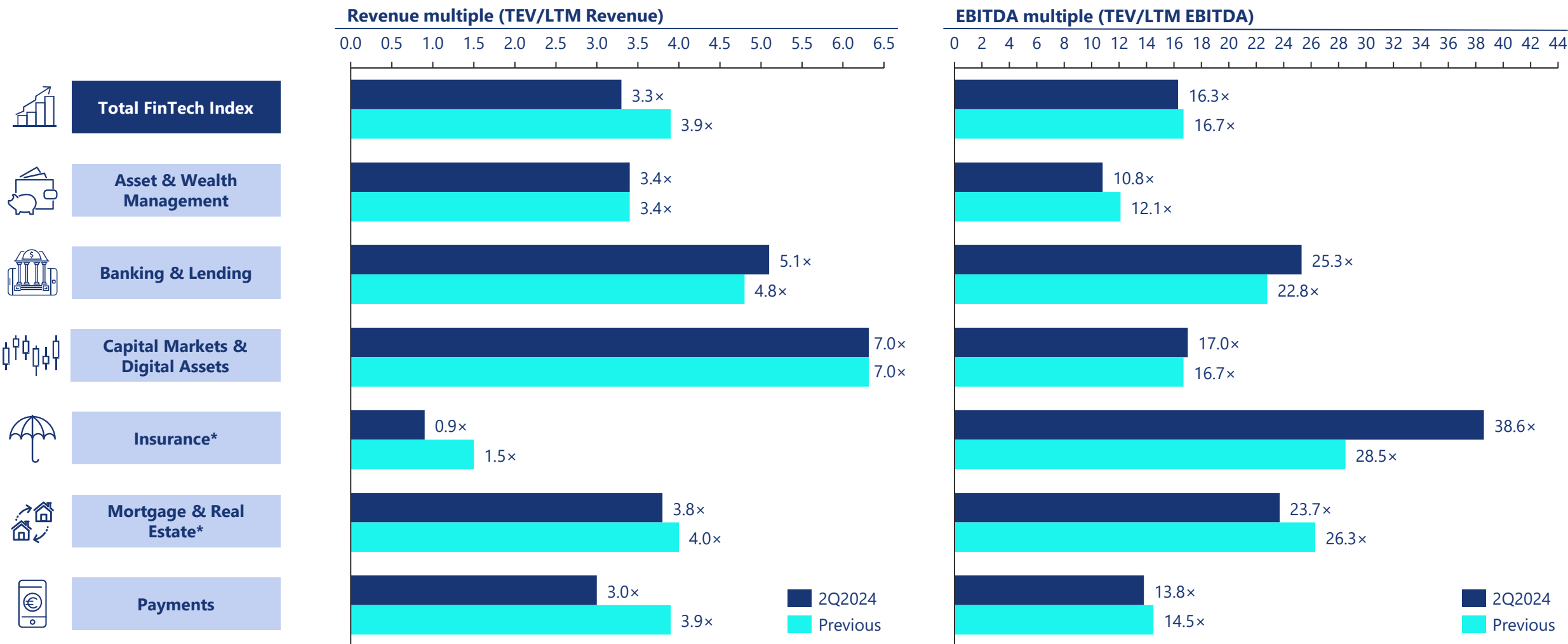


Segment performance (01/01/2019 = 100)



Roodhals Capital FinTech Index | Multiples

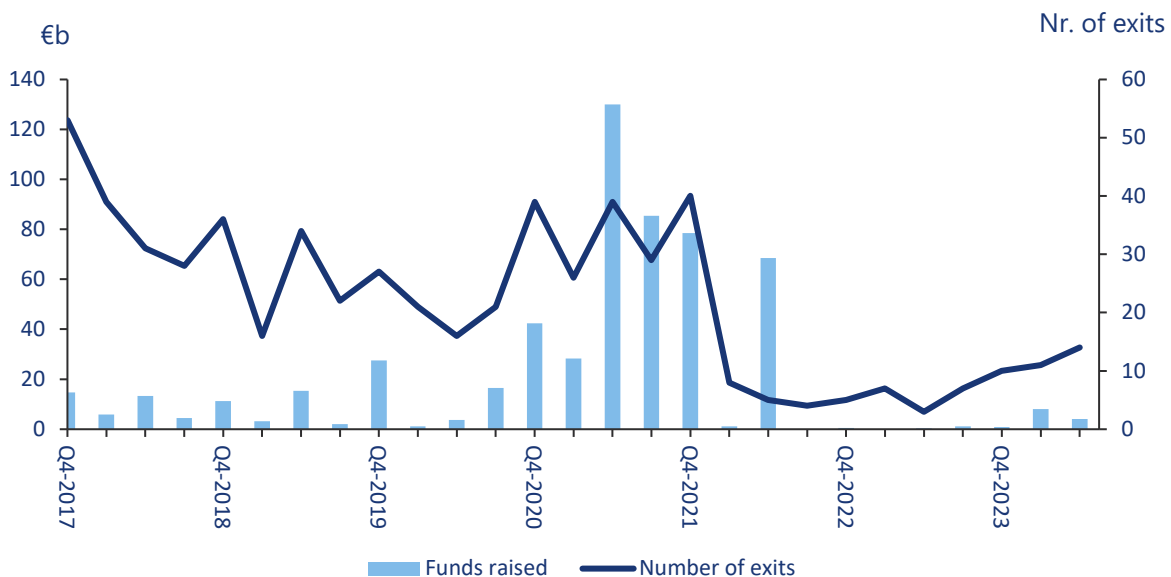
Multiples (median value)



Extreme value due to negative and limited availability of EBITDA values
Sources: S&P Capital IQ, Roodhals team analysis

IPOs

More IPOs with lower volumes compared to the previous quarter








- The number of IPOs **increased to 14 opposed to 11** in the previous quarter; total **IPO value decreased significantly** as the IPOs that took place were smaller in size.
- Companies to watch in 2024: Stripe, Klarna and Revolut will most likely have an IPO in 2024.
- **Scale** is the missing ingredient for many of the fintechs moving towards an IPO.

Fintech has hit a bottom after plunge in valuations and squeeze on funding, execs and VCs say– CNBC
13/06/2024

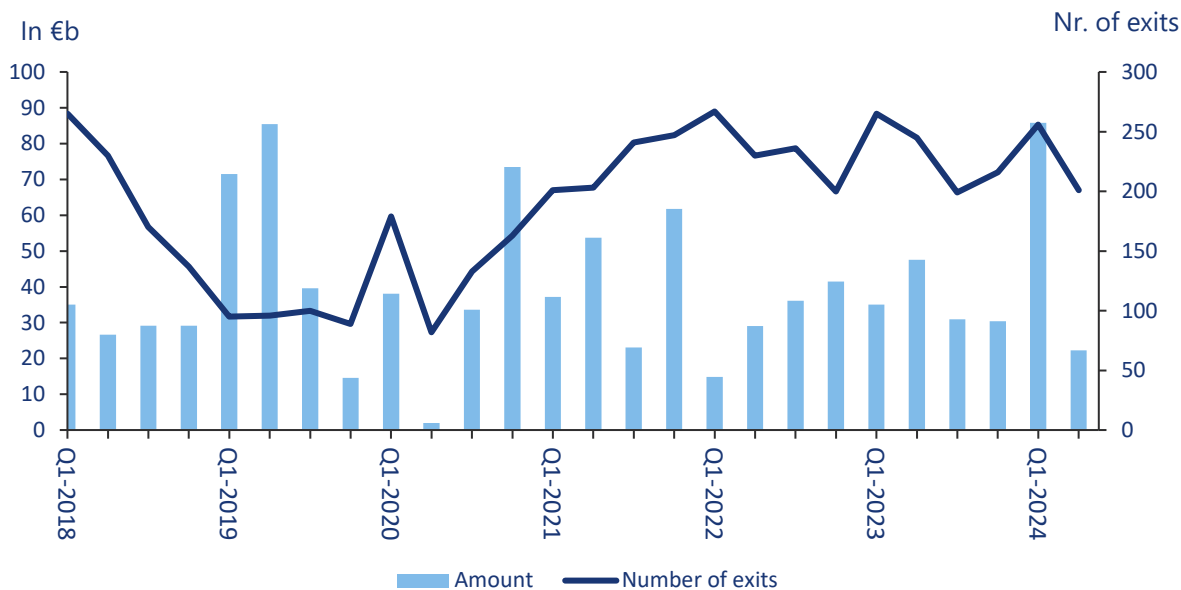
Fintech may not be the spark that fires up London's IPO market– FT
11/05/2024

Selected IPOs of last quarter

Company	Segment	IPO date	Market Cap
	Insurance banking FinTech	May 2024	€208m
	Insurance FinTech	May 2024	€290m
	Blockchain technology	Apr 2024	€117m
	SaaS based real estate platform	Apr 2024	€1.1b
	Marketing FinTech	Apr 2024	€538m
	Equity crowdfunding platform	Apr 2024	€278m

Global M&A activity

M&A volume



- M&A activity **significantly dropped** in volume and reaches a low point in recent years.
- The number of exits **remained high**, indicating that the decrease deal size is the main driver of the lower volume.
- In the **payments** segment transaction activity was noticeably high.
- Uncertainty is stemming from **challenging macroeconomic conditions** and **geopolitical tensions**.

Financial services dealmaking remains challenging in the second half of 2024

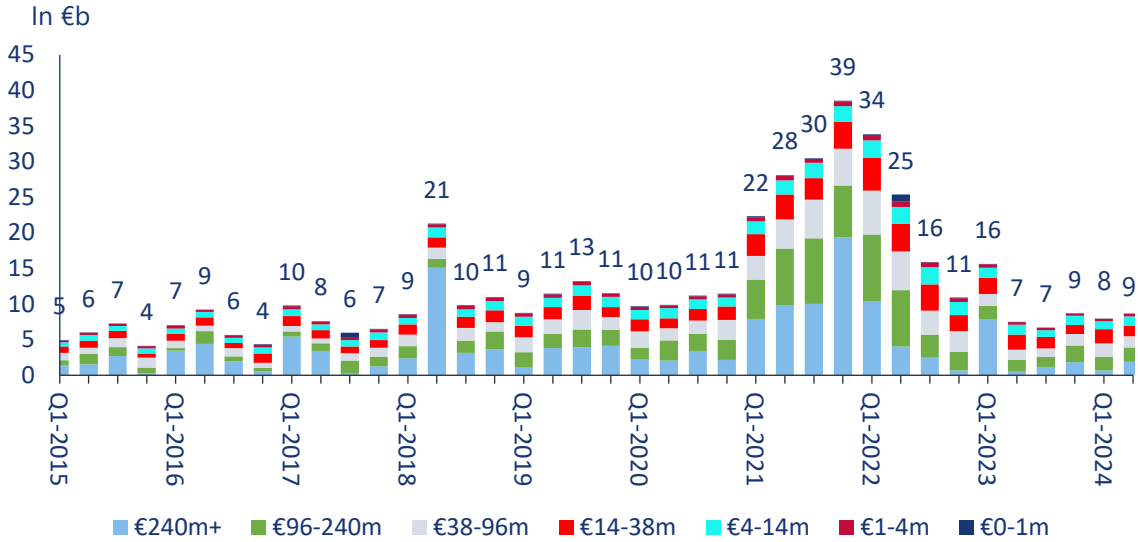
PwC 25/06/2024

Selected M&A transactions of last quarter

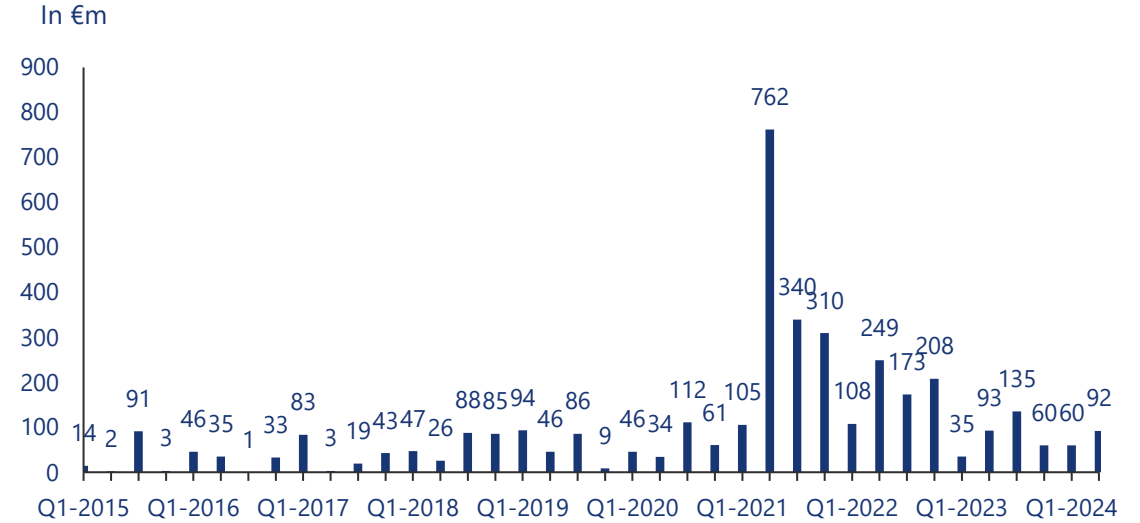
Target	Target segment	Acquirer	Date	Deal size*
SALT	Loyalty and Payments	 chime®	26-06-2024	€160.8m
 takepayments	Payments	 globalpayments	18-06-2024	€232.4m
 B	Exchange platform	 robinhood	06-06-2024	€186.0m
 iCheckGateway.com™ <small>Internet Enabled Payment Solutions</small>	Payments	 CSG	03-06-2024	€15.8m
 AUDITBOARD	Risk management solutions	 Hg	24-05-2024	€3.0b
 paymerang™	Financial automation	 Corpay^	23-05-2024	€441.6m
 paynet	Payments	 iyzico	08-05-2024	€80.9m
 adumö	Payments	 LESAKA	07-05-2024	€85.9m
 nuvei	Payments	 Advent International <small>GLOBAL PRIVATE EQUITY</small>	01-04-2024	€6.3b

Funding rounds

Global funding rounds

















Dutch funding rounds















Largest global funding rounds of Q2

April			May			June		
Prospa €124m Post-IPO Equity	blend €139m Private Equity		sumup €1.5b Debt Financing	monzo €177m Series I	lendbuzz €201m Debt Financing	VIRTU FINANCIAL €1.86b Post-IPO debt	BetaShares Exchange Traded Funds €186m Private Equity	ascend money €181m Venture – Series Unkown
Rakuten €1.7b Post-IPO Debt	ramp €139m Series D	capitalontap €325m Debt Financing	BLOCK €1.9b Post-IPO debt	iwoca €251m Debt financing		Financeit €340m Debt Financing	FundPark €232m Debt Financing	CAN CAPITAL €163m Debt financing

Private funding rounds in NL

Company	Description	Segment(s)	Date announced	Funding stage	Amount	Lead investor(s) & funder(s)
 mogelijk FINANCIERT VASTGOED	Provides collateral investing, business mortgages, real estate investment, and commercial lending services.	Real estate financing	4 July 2024	Private Equity	Undisclosed	 
	A climate investing platform pioneering in climate tech through private equity	Climate tech	27 June 2024	Unknown	€60m	Undisclosed
	Smart event platform for contactless payments	Artificial intelligence	18 June 2024	Seed round	€1.6m	Undisclosed
	harness the processing power of millions of devices	Artificial intelligence	7 June 2024	Grant	€250k	 Microsoft for Startups
	Specialises in financing sustainable home utilities	Banking	6 June 2024	Seed round	€1m	
	A platform that connects retailers with international customers	Financial services	1 June 2024	Seed round	€500k	Undisclosed
	An independent neobank which offers users mobile banking services	Banking	10 Apr 2024	Unknown	€29m	Undisclosed
	Provides fiscal (collaboration) solutions for companies globally	Financial solutions	25 Mar 2024	Series B	€10m	 







Private funding rounds in NL

Company	Description	Segment(s)	Date announced	Funding stage	Amount	Lead investor(s) & funder(s)
 zarttech	Specialises in custom software development and provides remote tech teams and startup investments	Information Technology	14 Feb 2024	Seed round	€400k	Undisclosed
 FINOM	Provides financial solutions for entrepreneurs, self-employed, and freelancers.	Financial solutions	17 Jan 2024	Series B	€50m	GENERAL  CATALYST
 Silverflow	A payment platform focused on backend modernisation of payment processing	Payments	16 Nov 2023	Series B	€15m	 GLOBALPAYTECH
 levenue	A revenue-based financing platform	Financing	15 Nov 2023	Series A	€8m	 Truffle Capital
 FEROPAYMENT SCIENCE	A service that allows for the personalisation of the checkout experience for every customer	E-commerce payments	2 Nov 2023	Seed	€2.8m	 VOLTA VENTURES
 carbon equity	A climate investing platform pioneering in climate tech through private equity	Climate tech	11 Oct 2023	Series A	€6m	 BLACKFIN CAPITAL PARTNERS
 hypeal.com	A pioneering platform for crowdfunding that enables the monetisation of startup investment	Digital Assets	26 Jul 2023	Pre-Seed	€180k	 techstars
 bung	An independent neobank which offers users mobile banking services	Banking	24 Jul 2023	Unknown	€100m	 POLLEN STREET

Financial Services & FinTech Team

Offering in-depth industry knowledge/expertise through advisory and deal structuring & execution services

Services

					
Private capital raising (debt & equity)	M&A - buy-side & sell-side	Portfolio advisory and sales	Valuation services & fairness opinions	Board & Investment Committee Advisory	Market research & reports



Strong relationships with (institutional) private debt investors

Roodhals has an extensive network among investors in The Netherlands and Western Europe. From HNWI's to credit funds and institutional investors such as pension funds.



In-depth understanding of complex capital raising and structuring processes

Our team has ample relevant structuring and documentation experience.



Latest insights in dynamics of private markets

Roodhals has access to all necessary information (systems) to perform credit analyses and pricing research. More importantly, we speak to many types of investors & have insight into their "market appetite".



Pragmatic approach

We support our clients with a no-nonsense, forthright approach where and when necessary, along the entire process.

Team



Willem Appel
Partner

- Roodhals founder
- Origination, structuring
- 25+ years of intl. experience



Sander Bierman
Partner

- Origination, structuring
- Investment risk services
- 15+ years of experience



Boudewijn Hoogenraad
Partner

- Marketplace lending
- Funding, placement
- 20+ years of intl. experience



Nick Hurkmans
Associate

- Structuring, execution
- Financial modelling & valuation
- Market research



Menno Post
Analyst

- Market research
- Financial modelling



Jort Deenik
Intern

- Market research
- Financial modelling

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