

# FINTECH 2.0

Growth through Consolidation, Collaboration, and Convergence

April 4, 2017

# The Evolution of FinTech

## FinTech 1.0

- Rapid Identification and exploration of opportunities to leverage technology to disintermediate traditional financial services
- Primary focus on technology proof-of-concepts and cost-agnostic consumer acquisition



## FinTech 2.0

- Consolidation within FinTech industry verticals, primarily driven by:
  - Startup cannibalization seeking volume growth
  - Banks buying innovation
- Global consumer technology companies entering the financial services space with mixed results
- The introduction of proprietary bank owned payment networks
- Primary focus on business model development and rationalizing consumer acquisition costs



## FinTech 3.0



# FinTech Universe - Disruption



# FinTech 1.0 – FinTech companies unbundled & disintermediated traditional financial services by addressing real pain points

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## Consumer & SMB Lending



## Personal Finance



## Payments & Analytics



## Retail Investment



## Rewards/Loyalty



## Inst. Investments



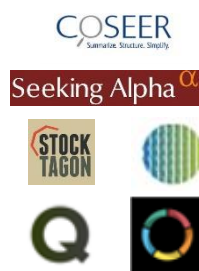
## Remittances



## Equity Financing



## Financial Research



## Business Tools



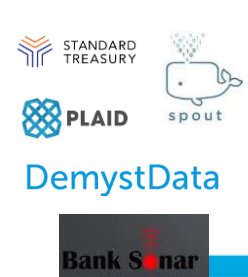
## Crowd Funding



## Consumer Banking



## Banking Infra.



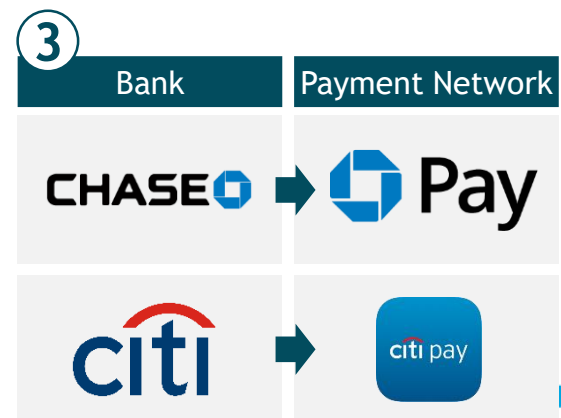
# FinTech 2.0 – 1) Consolidation within FinTech Verticles, 2) The entrance of technology players, and 3) Bank owned networks

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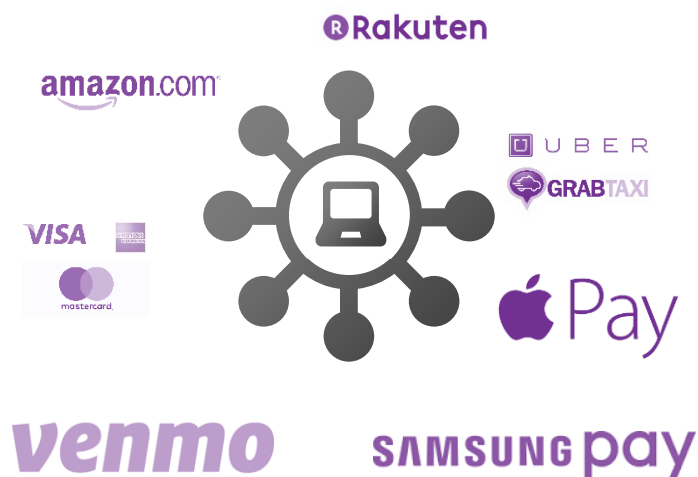
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Company	Payment Tool	Acquisitions	Focus Area(s)
		Partnership Focused	<ul style="list-style-type: none"> <li>NFC Consumer purchases</li> <li>In-app Purchases</li> <li>P2P Payments</li> </ul>
			<ul style="list-style-type: none"> <li>Consumer Purchases</li> <li>eWallet</li> </ul>
			<ul style="list-style-type: none"> <li>Consumer purchases</li> <li>NFC, QR and Magnetic Strip</li> <li>Analytics</li> </ul>



# FinTech 2.0: Technology & Distribution Partnerships are the Primary Drivers of Growth among Mature Players

## Technology Platform Partnerships



## Distribution Network Partnerships



Technology companies are developing/expanding financial solutions as part of their broader technology platforms, leveraging their embedded consumer base to attract merchants and/or financial institutions to generate valuable transaction data

Established FinTech players, especially in the mobile wallet, eCommerce, and SMB financing spaces, are seeking out distribution partnerships to help them broaden their footprint and leverage new customer acquisition channels

# FinTech 3.0 – What's Next?

U.S. and European markets are becoming increasingly saturated with FinTech solutions, whereas ASEAN and LATAM are poised for explosive growth due to strong macroeconomic drivers impacting their FinTech sectors

## Western Europe

Second highest region for deal flow, but the financial services regulatory environment flattens margins, dampens ROI rates, and minimized natural barriers

The uncertainty generated by Brexit over the coming years adds an unnecessary layer of volatility to FinTech investments in the UK and EU

## India & China

While the scale of these two markets are undeniable, investment opportunities are complicated due to regulations, bureaucracy, and limitations on repatriation of profits

## U.S.A




Region with largest deal flow but investor saturation has created high valuations and very limited defensible first mover opportunities

## ASEAN

Currently the third largest region for deal flow with multiple dislocation opportunities driven by strong e-commerce, mobile phone penetration, a large alternative banking ecosystem, and a strong desire for formal capital. The region is forecast to be the second largest source of deal flow in the next five years.

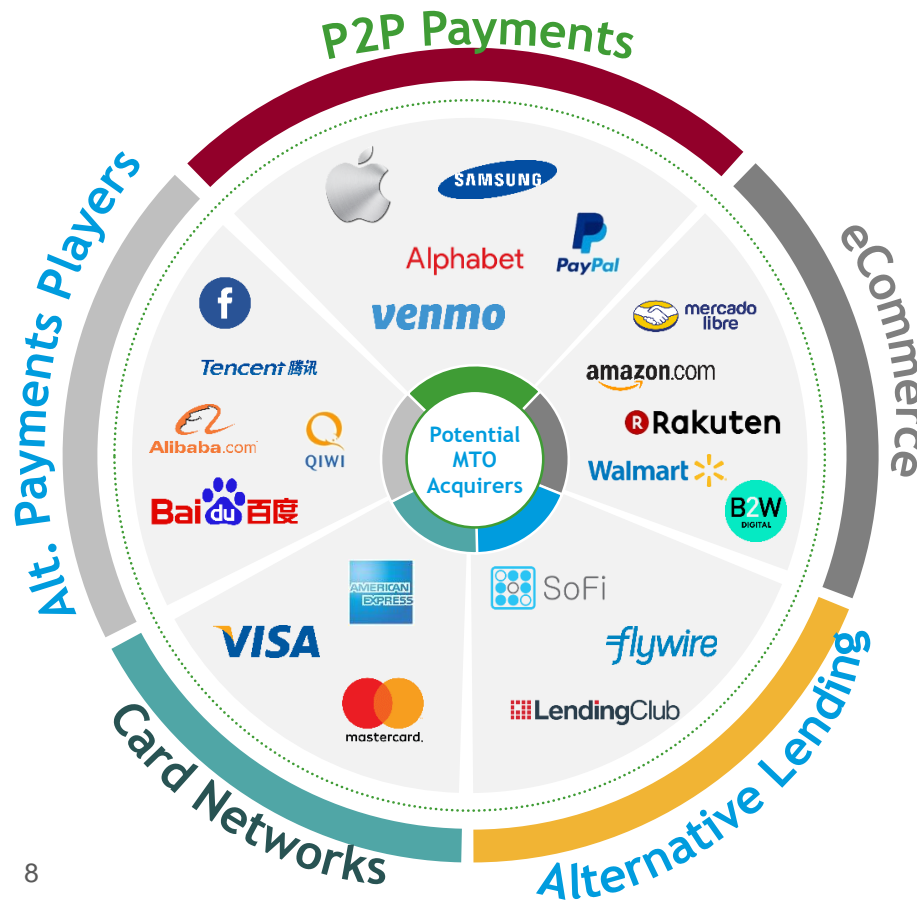
## Latin America

Buoyed by secular drivers and an acute opportunity to take advantage of weak currencies and temporarily low valuations

-  Growth Regions
-  Macro-level Pressures
-  Limited/Opportunistic

# FinTech 3.0 - Continued

- Consolidation will occur across FinTech verticals as acquisition rationale becomes increasingly driven by strategic positioning, not financial rationale; New future exit options will impact today's growth strategies



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Example: An Expanded Horizon of Exit Options for a Mid-Sized Money Transfer Company



# The Top Ten FinTech Headlines in 2016

1. Deloitte Taps Blockchain Startups to Build New Core Banking System
2. 10 Ways Banking Will Be Different in 2020
3. 6 Big Hairy Fintech Trends for 2016 and Beyond
4. 12 Coolest Brands in Banking 2016
5. 2016 Innovators to Watch: 44 Executives Shaping the Future of Banking
6. Two Digital Banks Launch in a Single Day
7. Payments in Iran Now Said to Be Possible
8. 10 Fintech Startups You Probably Haven't Heard Of (Until Now)
9. BBVA Launches Alpha Version of API Marketplace
10. 10 Ways Blockchain Will Change Financial Services

# Today's Panel Line-up

## Fintech 2.0: Channeling Growth through Consolidation, Collaboration & Convergence

Guest Moderator:

**Joe Benfatti, RSM US LLP**  
*Partner, Risk Advisory Services*

Expert Panelists:

**Steve Findley, Bernstein**  
*Sr. Research Analyst &  
SVP*

**Greg Wright, Zanbato**  
*President & Head of  
Banking*

**Yogesh Oka, Kore  
Fusion**  
*Founding Partner*

# The Top FinTech Predictions for 2017

- The fintech buzz continues, but not in the US (look east).
- Ant Financial gets global applause (these guys aren't staying in China).
- A fintech unicorn stumbles (this market is still nascent).
- Regtech moves deeper into bank infrastructure (and demands real-time access).
- Regulators compete to innovate more (2016 bubbled, 2017 steams).
- A major global bank gets broken into pieces (systemically important with systemic issues).
- Swift gets hacked again (how many times can this happen?).
- A blockchain proof of concept goes mainstream (how long can we test the technology?).
- Banks get chatty (chatbots are all the rage).
- Machine learning and artificial intelligence are all the rage (related to above, but data wars begin).

# QUESTIONS AND ANSWERS?