



## **Benchmarking the financial performance of privately owned fintech**

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## Our research

Examines the performance of publicly listed and privately owned fintech companies using a research database containing the historical financial performance of over 800 fintech companies

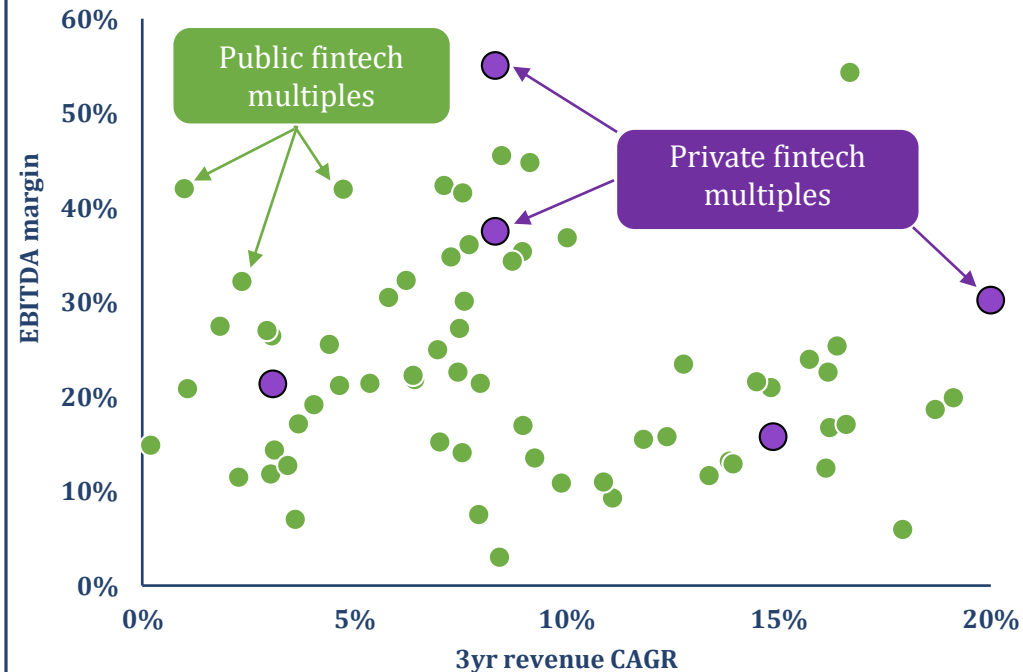
### Upcoming papers:

- Examine whether financial performance varies by company age or size
- Asses the performance of specific fintech sectors
- Look for signs of growth among the small and young fintech companies
- Show how financial performance correlates with exit multiples using data from real fintech transactions

If you would like to discuss any aspect of this research, or to see how your performance compares to the companies in the database, please get in touch

## Valuation research

### Financial performance and valuation multiples



To receive a complementary copy of our valuation research please contact:

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[jsinger@novitasftcl.com](mailto:jsinger@novitasftcl.com)

## About us

NovitasFTCL undertakes capital raises, acquisition and sale mandates on behalf of European fintech businesses

We have successfully executed transactions on behalf of clients in many European countries and virtually all of our transactions involve engaging with counterparties from the US, Europe and Asia

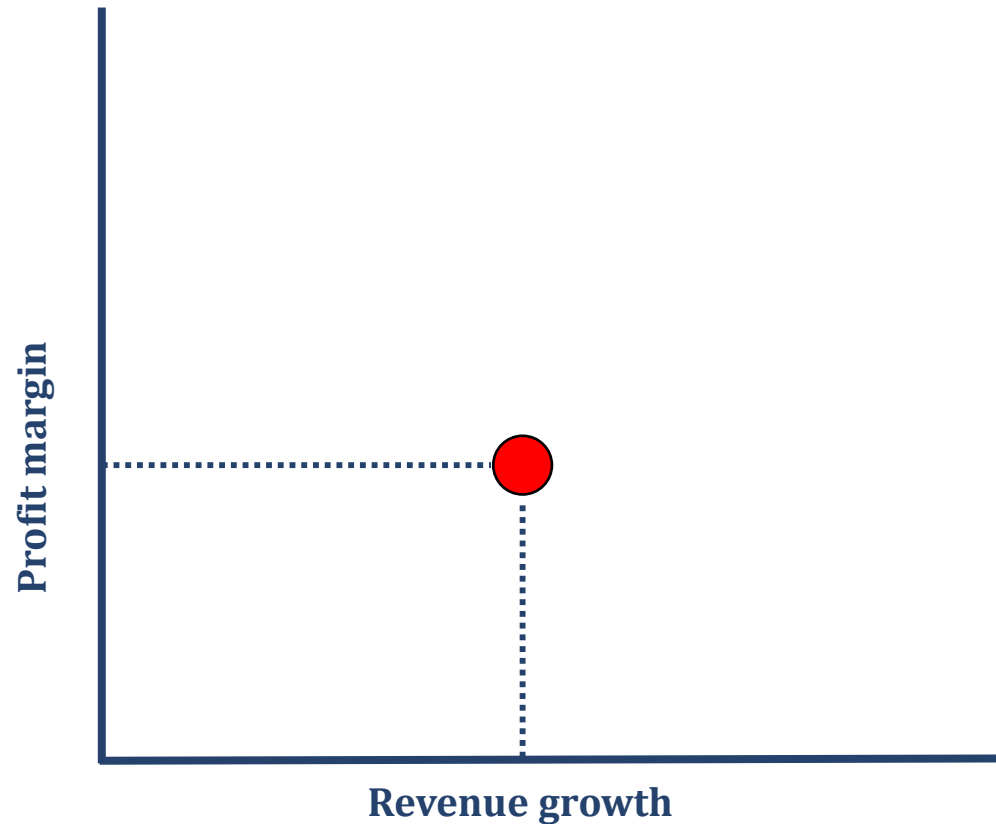
An analysis of our concluded projects shows:

- 50% of the bidders on our deals have a US headquarters,
- Approximately 50% of bidders are listed entities, with the majority of the other bids being received from Private Equity or businesses backed by Private Equity
- We typically engage with 15 to 30 counterparties

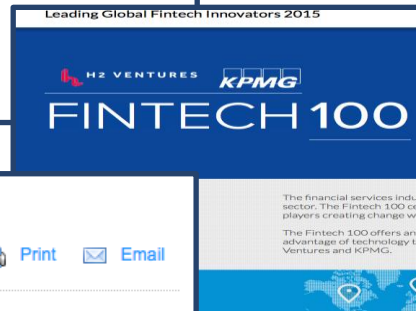


*Is this OK? Should it be better?.....*

## Financial Performance



## The 9 hottest UK fintech startups most likely to be worth \$1 billion next



## UK Government maps out fintech strategy; FCA takes wraps off startup sandbox

11 April 2016



### Fintech funding round-up: 4 November 2016

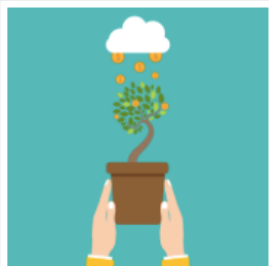
4 November, 2016 Written by [Antony Peyton](#)

 [Print](#)  [Email](#)

*Let's put the fun in funding by keeping it mercifully brief. A round-up of some key events.*

**KEEN Venture Partners**, a new venture capital firm operating from London and Amsterdam, has announced €90 million first close of its inaugural fund.

It will use the money to provide early growth capital for tech firms with a particular focus on innovation hubs in the UK, Netherlands, Sweden and Germany. In addition, it will consider North American-based tech companies looking to expand into Europe. It intends to invest €5 million to €10 million per company.



Grow up

In the cramped world of smartphone banking, UK-based **Loot** has completed a further £2.5 million funding round (added to the £1.5 million seed capital raised last year), from existing investors, including SpeedInvest ([Holvi](#), [Curve](#)) and Global Founders Capital ([iwoca](#), [Kreditech](#), [Facebook](#)) and a small number of new angel investors.

The firm sees [Monzo](#), [Atom](#), [Starling](#) etc as its competitors and recently opened the first of its new accounts this month. The first "tranche" of nearly 20,000 new customers have started to use version 2. The company says it is aimed at millennials – or the "young at heart".

**AREX**, a trading platform for SMEs to sell unpaid invoices, has raised €3 million in a round led by Finland's Lifeline Ventures, alongside Robin Klein, general partner and co-founder at London-based investors LocalGlobe.

Founded in 2014, AREX – which stands for Account Receivables Exchange – wants to help "cash-squeezed" SMEs access short-term finance. It is already operational in Finland, and due to launch in the UK next year.

[Goldman Sachs](#), Pivot Investment Partners and [Wells Fargo](#) are leading a \$16 million investment in New York-based **Droit Financial Technologies**, with participation from DRW, a trading firm.

The Series A minority investment provides growth capital for Droit's real-time decision-making engine, which provides point-of-execution compliance for sales and trading systems at financial institutions. The firm was founded in 2012 and has offices in New York and London.



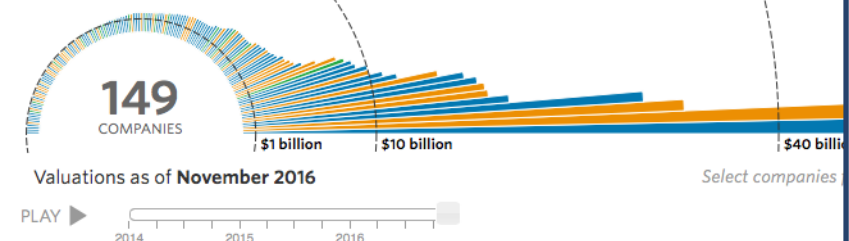
## The Billion Dollar Startup Club

The Wall Street Journal and [Dow Jones VentureSource](#) are tracking venture-backed private companies valued at \$1 billion or more. See how the club has expanded and select companies to learn more about them.

By [Scott Austin](#), [Chris Canipe](#) and [Sarah Slobin](#)

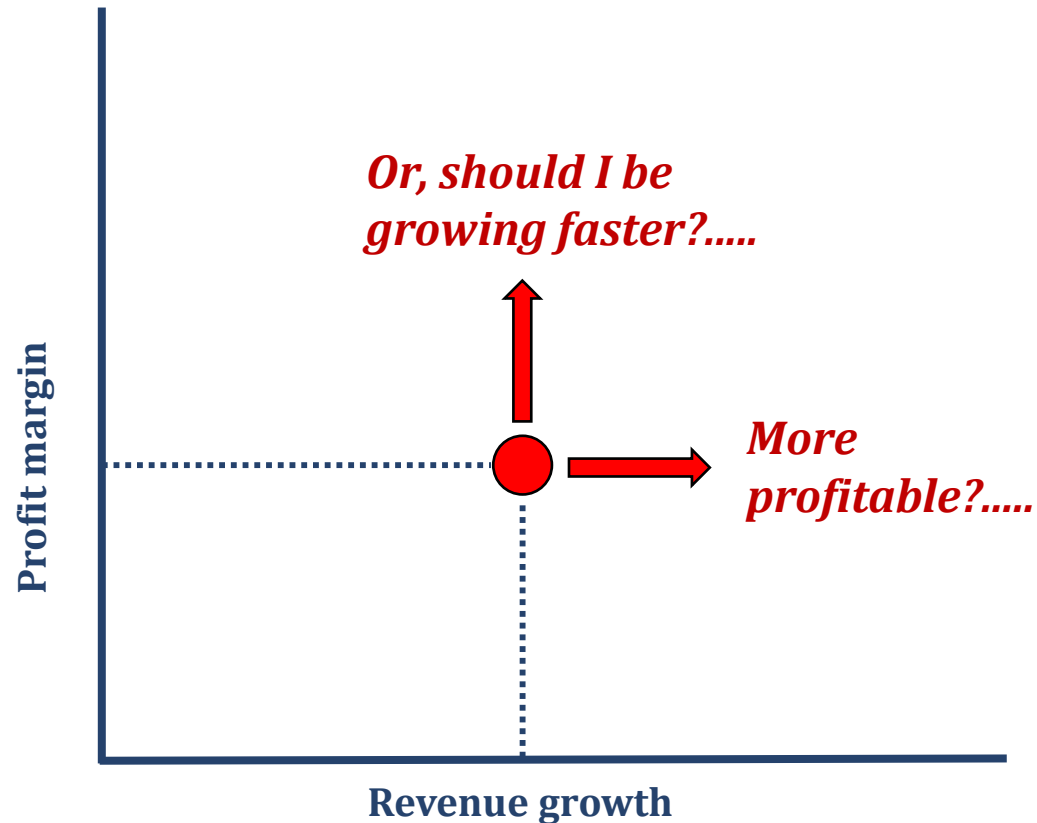
Published Feb. 18, 2015

Companies valued at \$1 billion or more by venture-capital firms



*So, is this ok?*

## Financial Performance



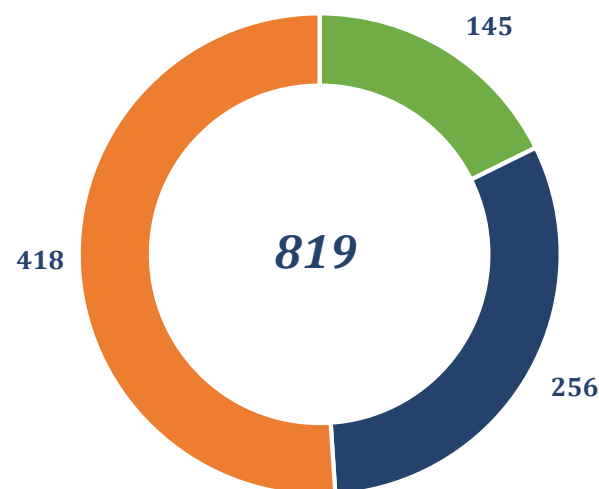
*How do I compare against the competition?*

*Am I creating value?*

## Let's look at some data

***NovitasFTCL has compiled a database containing the historical financial performance of more than 800 publicly listed and privately owned fintech companies***

### Companies Classified By Ownership & Size



#### Small Private Fintech

Companies too small to file full accounts with Companies House and which can only be analysed using their balance sheet

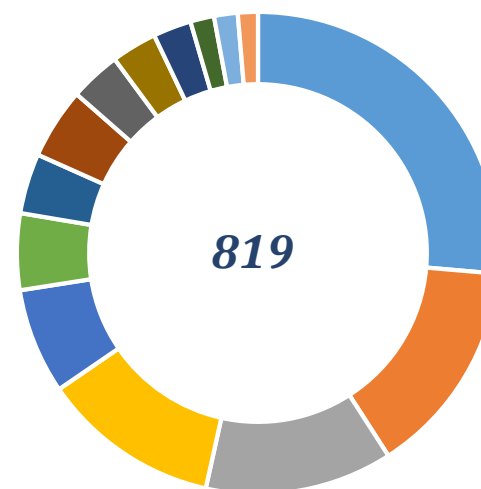
#### Established Private Fintech

Companies large enough to file full accounts with companies house including a Profit & Loss. Also includes smaller entities that voluntarily file full accounts

#### Publicly Listed

Public companies whose shares are traded on a stock exchange and for which there is readily available performance and valuation data

### Companies Classified By Sector



Software, 216

Payments, 103

Regulatory Compliance, 58

Insurtech, 33

Security, 28

Personal Finance, 21

Challenger Banks, 13

Data & Analytics, 119

Other, 98

Services, 42

Online Lending, 39

P2P Loans & Investments, 25

Blockchain, 13

Robo Advisors, 11

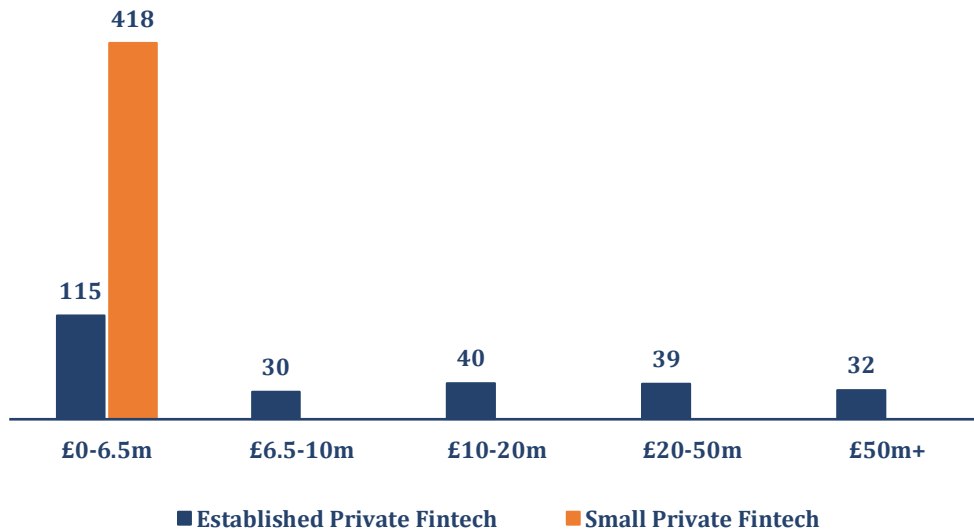
# Revenue and profitability of private fintech

## Of the 674 privately owned fintech companies:

- 79% reported revenues below £6.5m
- Only 5% reported revenues above £50m

### Revenue Distribution

Median = £8.7m



## Of the 256 Established Fintech companies that filed a P&L:

- 30% reported a loss
- 32% have a positive EBITDA margin below 10%

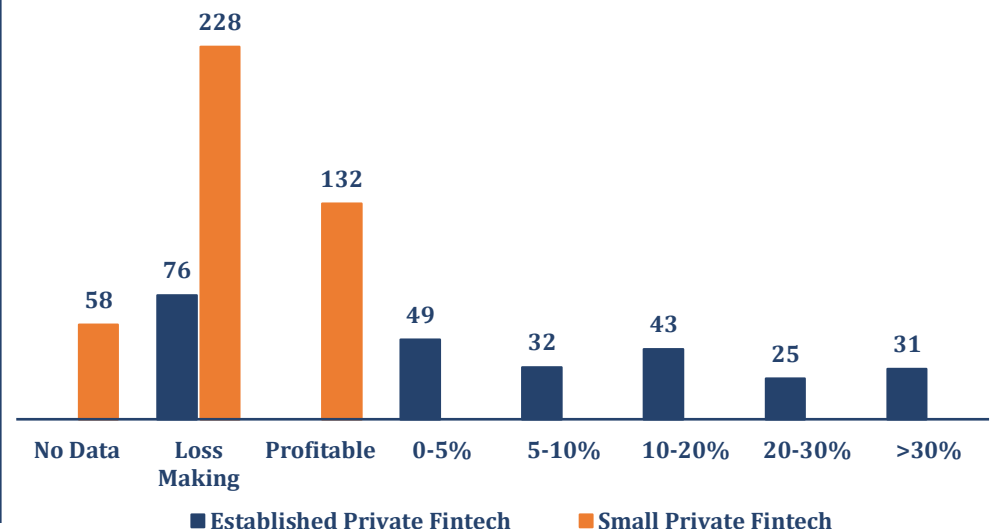
Of the 616 companies with profitability data, 49% were loss making

**Loss making** companies either reported a negative EBITDA, or, for small companies, a reduction in their P&L reserve.

**Profitable** companies are those that are too small to file a P&L but which reported a gain in their P&L reserve

### EBITDA Margins

Median = 7%



Deciles based on Established Private Fintech											
	Min	1st	2nd	3rd	4th	Median	6th	7th	8th	9th	Max
Revenue £000	4	363	1,869	3,598	6,063	8,651	11,989	18,742	27,997	69,719	420,000
EBITDA margin	N/M	-64%	-10%	0%	3%	7%	11%	16%	22%	34%	64%

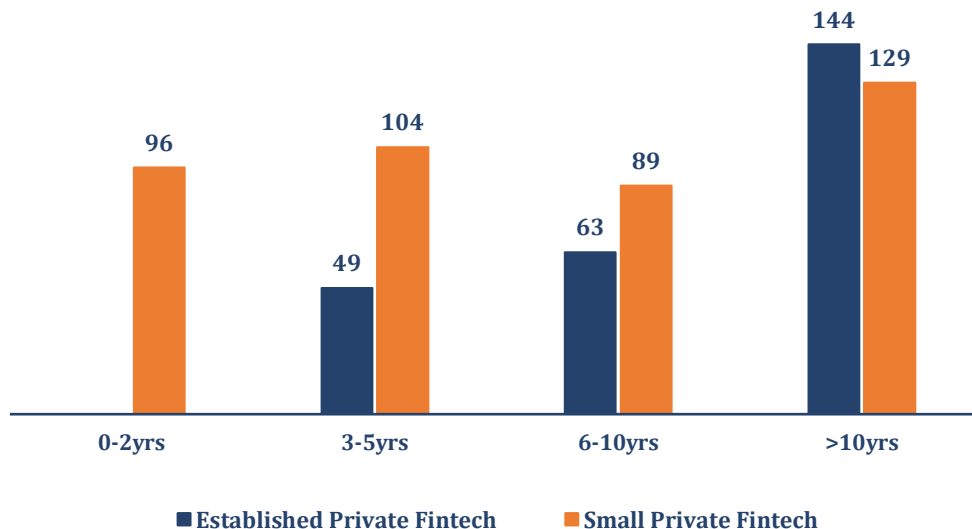


## Age and ownership of private fintech

Despite the attention on start-ups, the sample of privately owned companies reveals age profiles that suggest the industry isn't quite as young as it might seem

- 86% of companies in the sample were incorporated more than 3 years ago
- 40% were incorporated more than 10-years ago
- Of the companies incorporated more than 10-years ago, almost half, 47%, still have revenues below £6.5m
- The age profiles of Small Fintech companies are split relatively evenly across the age categories rather than showing an abundance of young start-ups

### Age

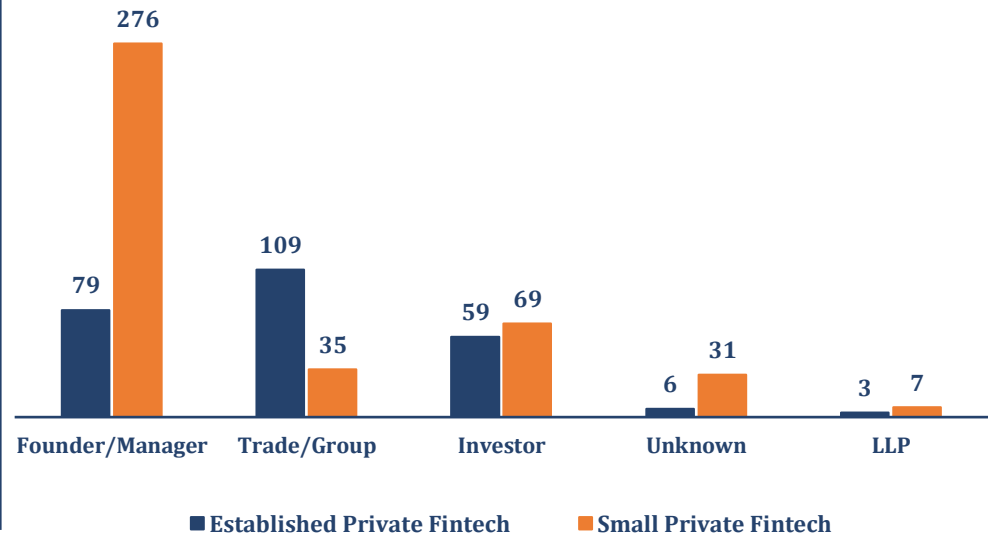


**Founder/Manager** companies are still owned by their founders or management team

**Investor** owned companies have investment companies with significant shareholdings in the ownership structure

**Unknown** ownership are limited companies for which we could not get shareholder information preventing them from being categorised

### Ownership



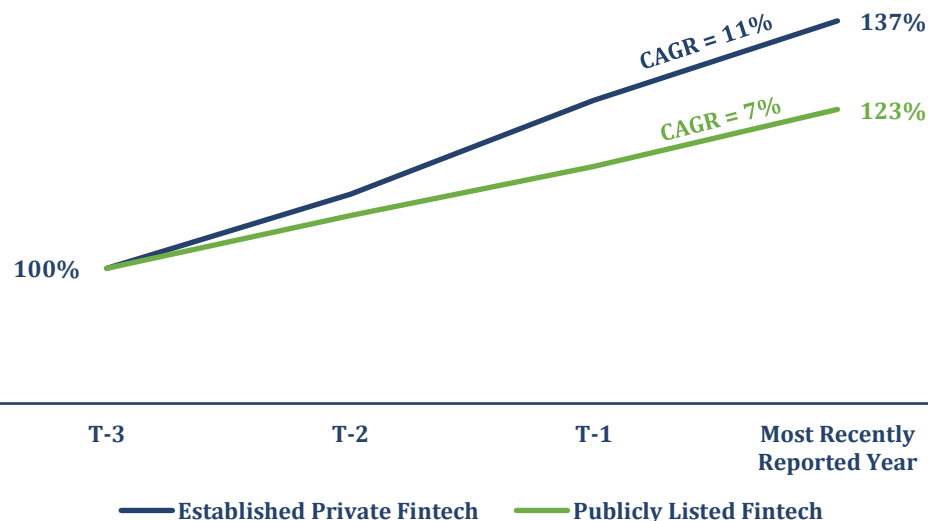
## Financial performance of Established Private Fintech vs Publicly Listed Fintech

*The performance of privately owned fintech is benchmarked against a select group of publicly listed fintech companies*

*On average, Established Private Fintech companies are growing faster than their publicly listed counterparts, this is at the cost of significant profitability*

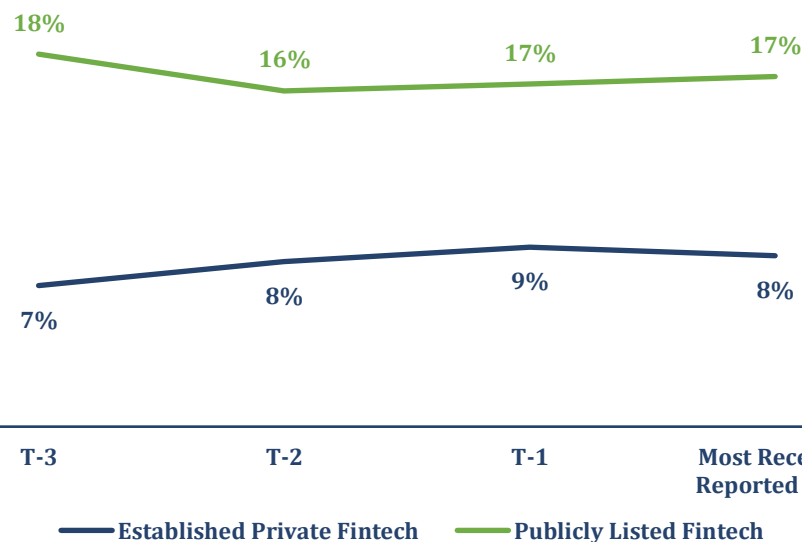
In terms of revenue growth the Established Private Fintech group outperformed the Publicly Listed group with a median revenue CAGR of 11% vs 7%

Median Revenue Growth



The median EBITDA margin of the Established Private Fintech group is approximately half of that achieved by the Publicly Listed group

Median EBITDA Margins

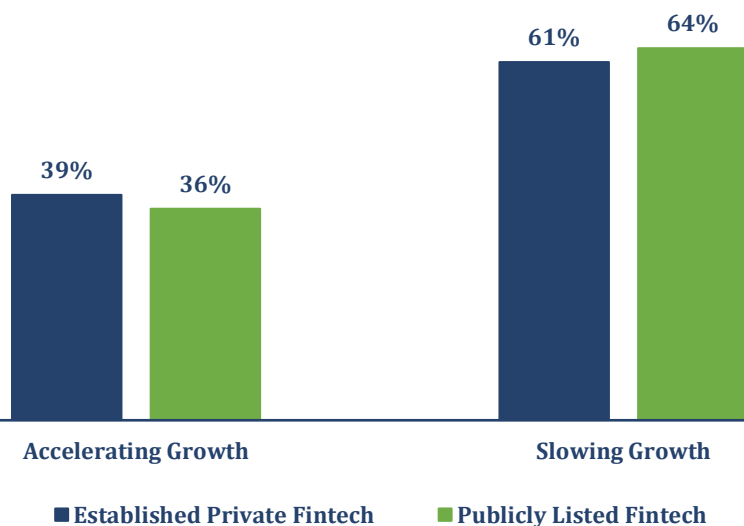


## Most recently reported year vs 3 year trend

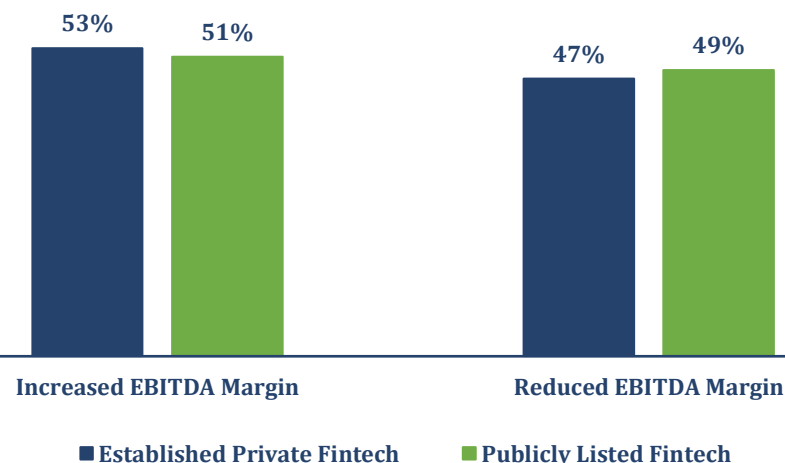
***The majority of Established Private and Publicly Listed Fintech groups reported revenue growth in their most recent year that was below their 3-year CAGR***

***Approximately half of both groups reported an EBITDA margin above their 3-year average***

% Of Firms Whose Single Year Revenue Growth Is Above/Below Their 3-year Revenue CAGR



% Of Firms Whose Single Year EBITDA Margin Is Above/Below Their 3-year Average EBITDA Margin

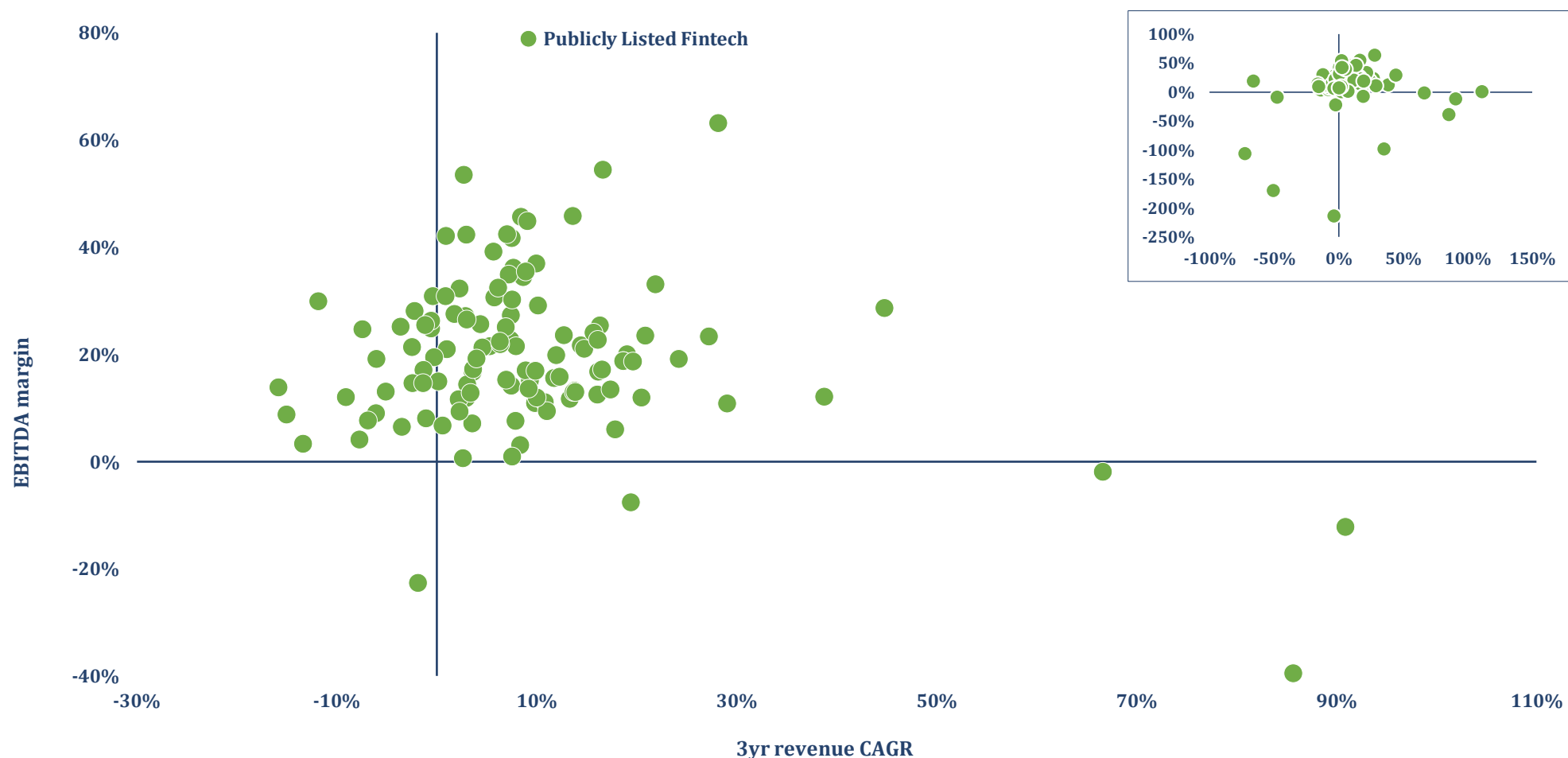


*This analysis requires at least 4 years of Income Statements preventing the inclusion of the Small Private Fintech group, many of which show signs of growing very well, which makes up 79% of the privately owned companies in the database*

## ***The individual financial performances of Publicly Listed Fintech***

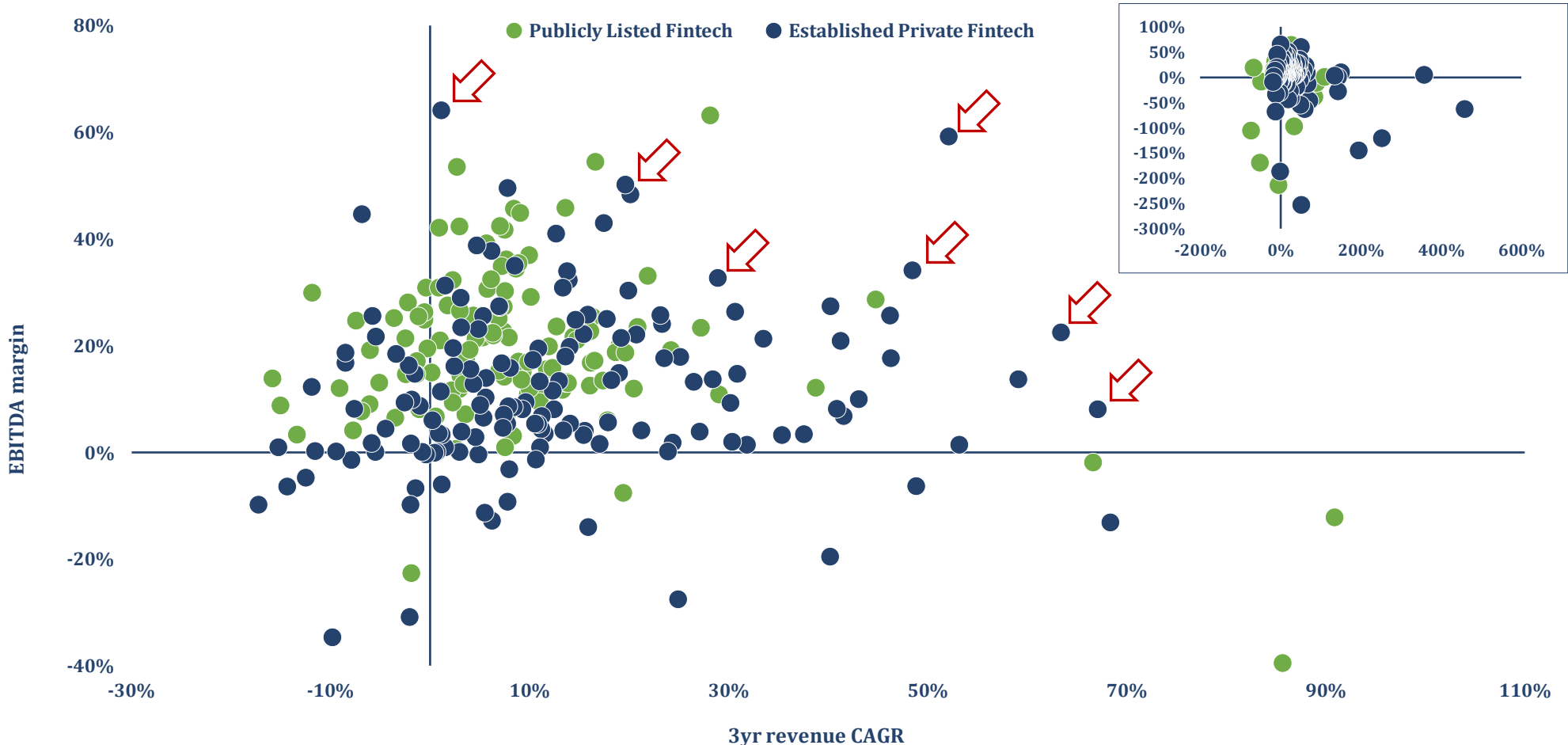
*Medians provide a good indication of overall performance but hide the wide range of performances seen when analysing individual companies*

*The graph below compares the 3-year average revenue growth rates (CAGR) and EBITDA margins of individual Publicly Listed Fintech*



## Many private fintech companies outperform their listed peers

*Overlaying the individual performances of Established Private Fintech, it is clear that many companies are outperforming the Publicly Listed Fintech, not just in terms of revenue growth, but also in terms of profitability*



# novitasFTCL

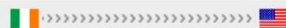
european fintech corporate finance advisors



NovitasFTCL advised the shareholders of The MoneyMate Group on the merger to create Compliance Solutions Strategies, a business formed by CIP Capital



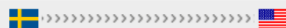
2017



NovitasFTCL advised the shareholders of Neonet on its sale to KCG



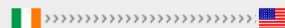
2016



NovitasFTCL advised the shareholders of Risk Intelligence Ireland on their sale of the company to Verisk Analytics, Inc.



2016



NovitasFTCL advised AlgoSpan on its sale to Pico



2016



NovitasFTCL advised Crédit Mutuel Arkéa on its acquisition of Leetchi Group (incl. MangoPay)



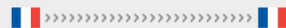
2015



NovitasFTCL advised SmartCo on its sale to NeoXam (backed by BlackFin Capital Partners)



2015



NovitasFTCL advised Pirum Systems Limited on its transaction with Five Arrows Principal Investments, the mid-market private equity fund backed by the Rothschild Group, and Camwell Management LLP



2015



NovitasFTCL advised the shareholders of Moventum S.C.A. on its sale to Atlantic Fund Services



2014



NovitasFTCL advised Silverfinch (MoneyMate) on partnering with Fundsquare (Bourse de Luxembourg)



2014



NovitasFTCL advised NetGuardians on its CHF5m Series B funding

