



Financial performance of private fintech: analysis by company size

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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

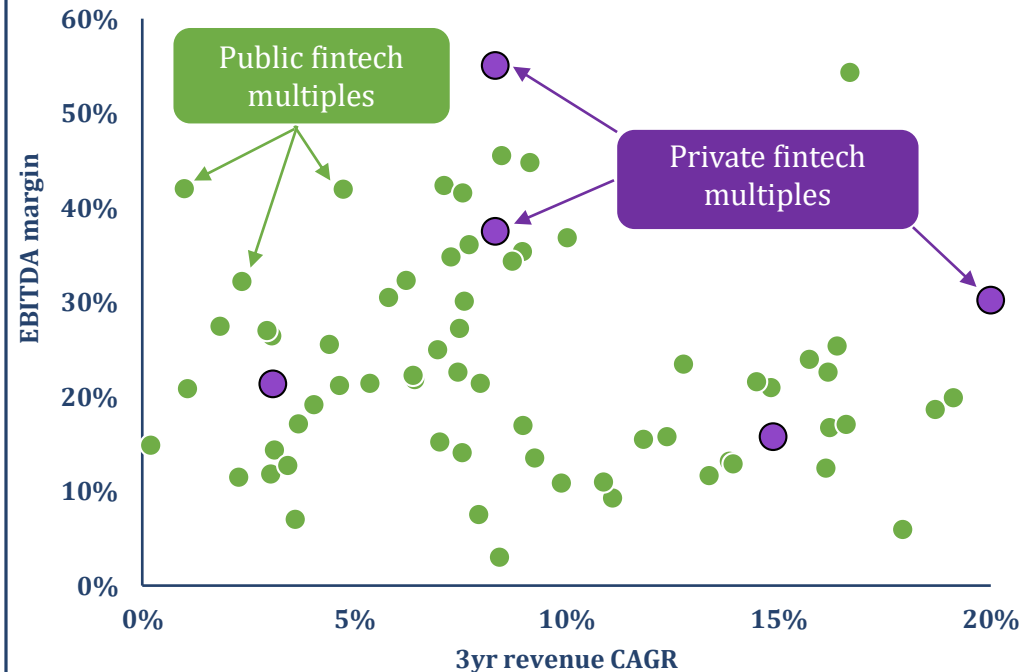
Upcoming papers:

- 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:

Joe Singer
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:

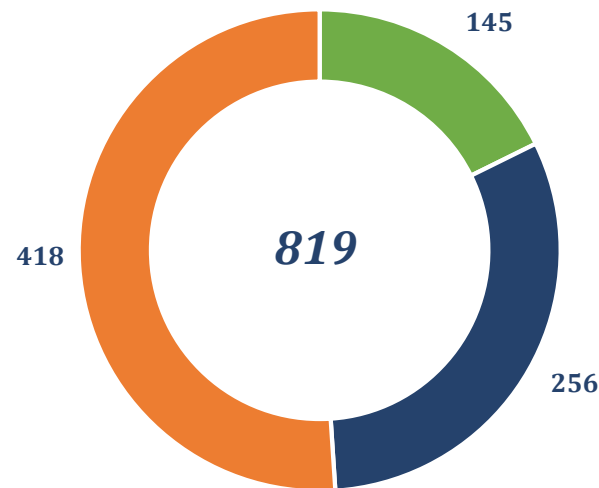
- 50% of the bidders on our deals have a US headquarters,
- Approximately 50% of bidders are listed entities, with the majority of the other bids being received from Private Equity or businesses backed by Private Equity
- We typically engage with 15 to 30 counterparties



The dataset

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

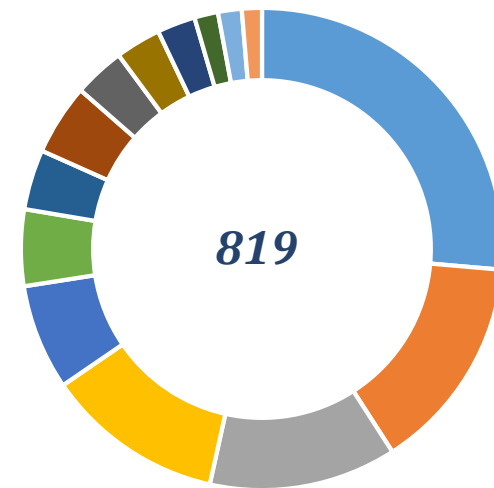
Established Private Fintech

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

Does financial performance change with company size?

This paper analyses a sample of 256 private fintech companies to examine the extent to which their financial performance varies depending on their size

➤ Data requirements

Companies in the sample are analysed using 3-year revenue CAGRs and the EBITDA margin reported in their most recent accounts. To calculate the CAGR, 4 years of accounts are required which reduces the number of companies that can be included in the sample – the table opposite provides the number of companies within each category with sufficient data to be included

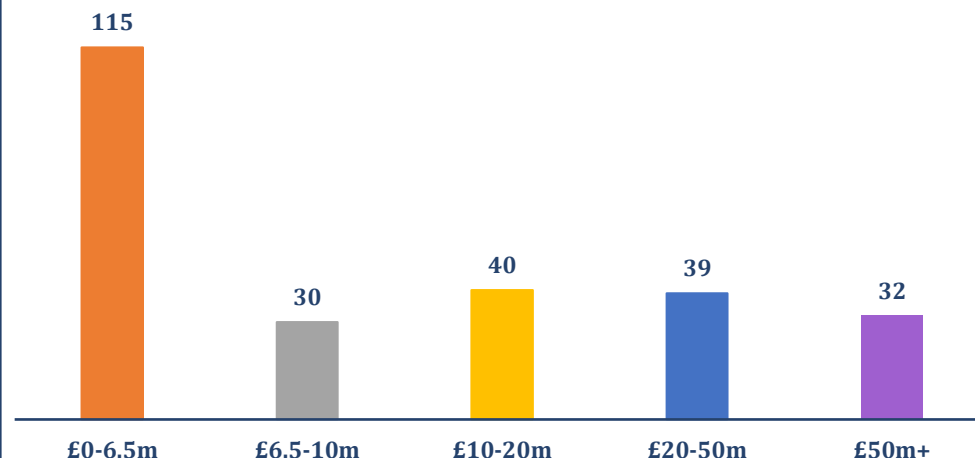
➤ Size classification

Companies are classified by the revenue reported in their most recent accounts

➤ £0-6.5m

Despite no requirement to file full accounts this category makes-up 45% of the sample with 115 companies voluntarily filing Income Statements. It is unlikely that a company performing poorly would voluntarily file these accounts so a positive performance bias may be created within this category. Further, the data requirements result in this category having the largest proportion of companies excluded for lacking data. These companies will most likely be the youngest in the group so the median age of 12 may be artificially high

Number Of Companies Per Revenue Size Category



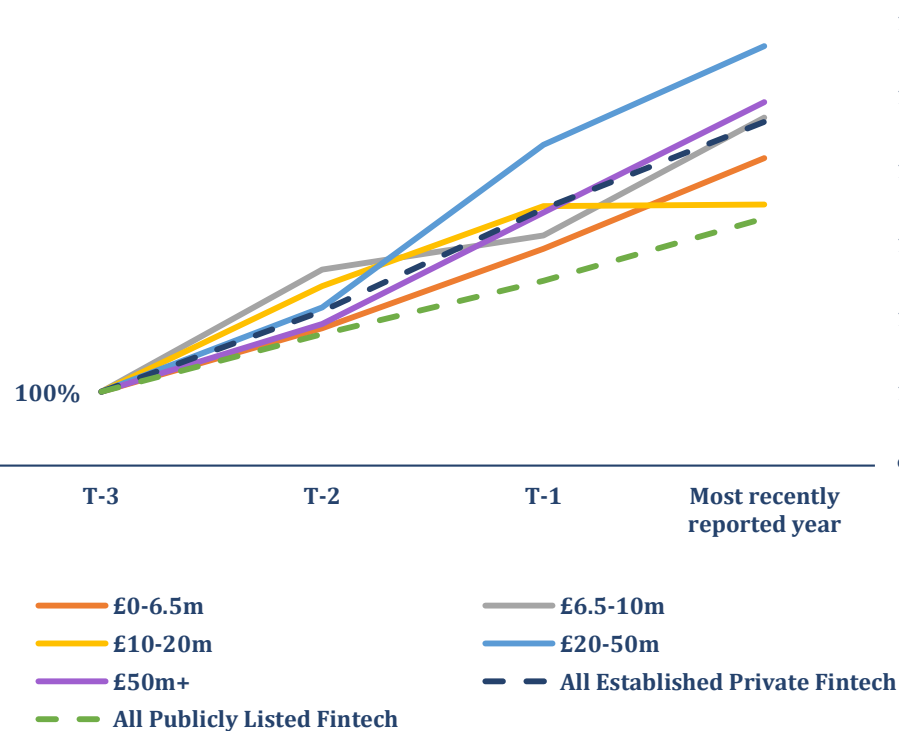
| Revenue Category | No. of companies with sufficient data | Median 3yr revenue CAGR | Median EBITDA margin | Median revenue £m | Median Age in Years |
|------------------|---------------------------------------|-------------------------|----------------------|-------------------|---------------------|
| £0-6.5m | 55 | 11% | 5% | 3 | 12 |
| £6.5-10m | 21 | 11% | 4% | 8 | 15 |
| £10-20m | 35 | 8% | 7% | 13 | 16 |
| £20-50m | 31 | 13% | 10% | 30 | 18 |
| £50m+ | 32 | 12% | 15% | 95 | 16 |

Median 3 year revenue growth and EBITDA margin by company size

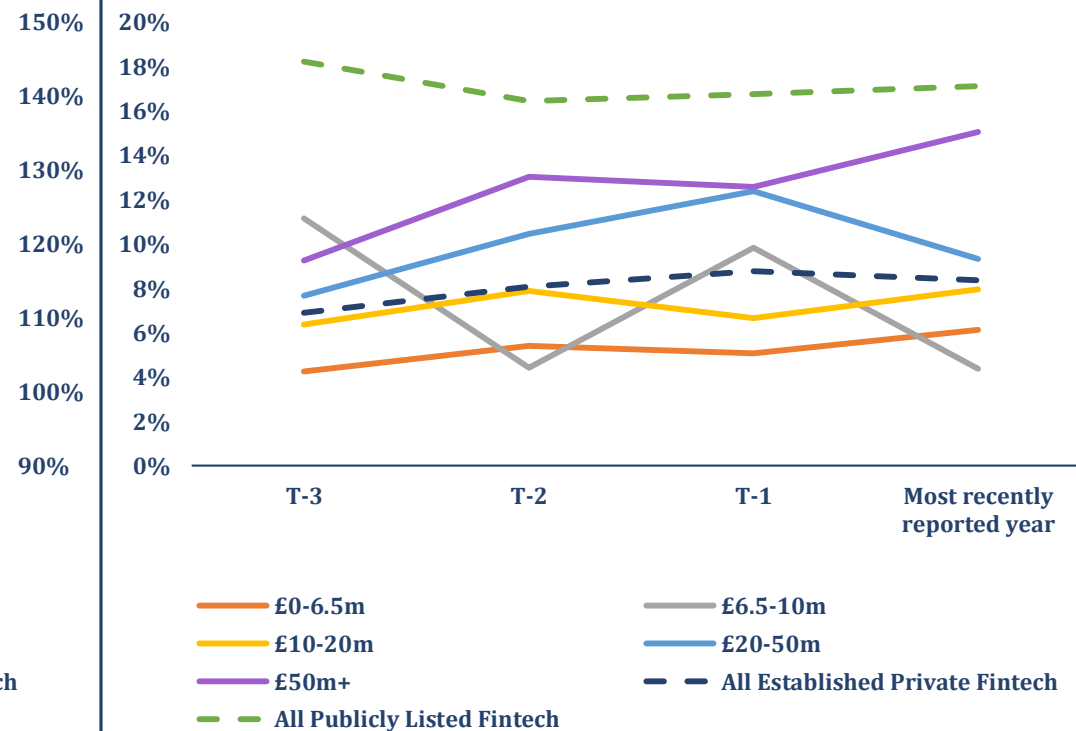
In terms of median revenue growth, the larger companies can be seen to have grown faster than their smaller competitors throughout the 3-year period, despite growing from a larger base

In terms of profitability, size clearly matters with median yearly EBITDA margins increasing with company size

Median Revenue Growth



Median EBITDA Margins

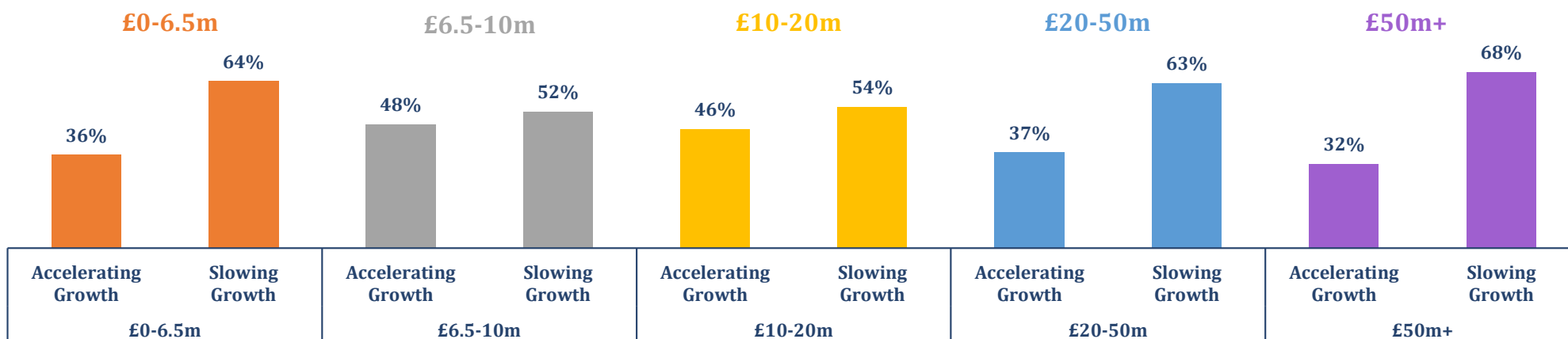


Most recently reported year vs 3-year trend

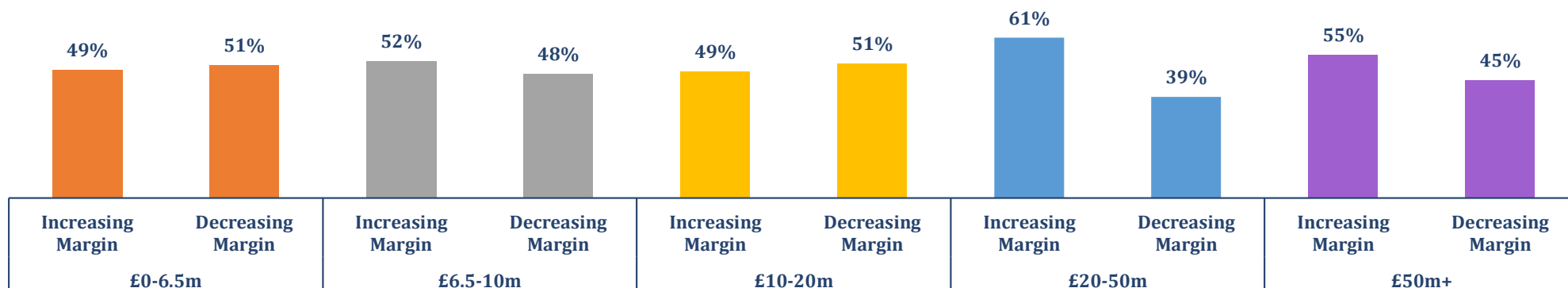
Companies in the £0-6.5m bracket show an unexpected tendency towards slowing revenue growth which may be the result of an increasingly crowded and competitive market

At the other end of the scale, companies with more than £20m in revenues also show signs of slowing growth but this is coupled with increasing profitability

% Of firms whose single year revenue growth is above/below their 3-year revenue CAGR

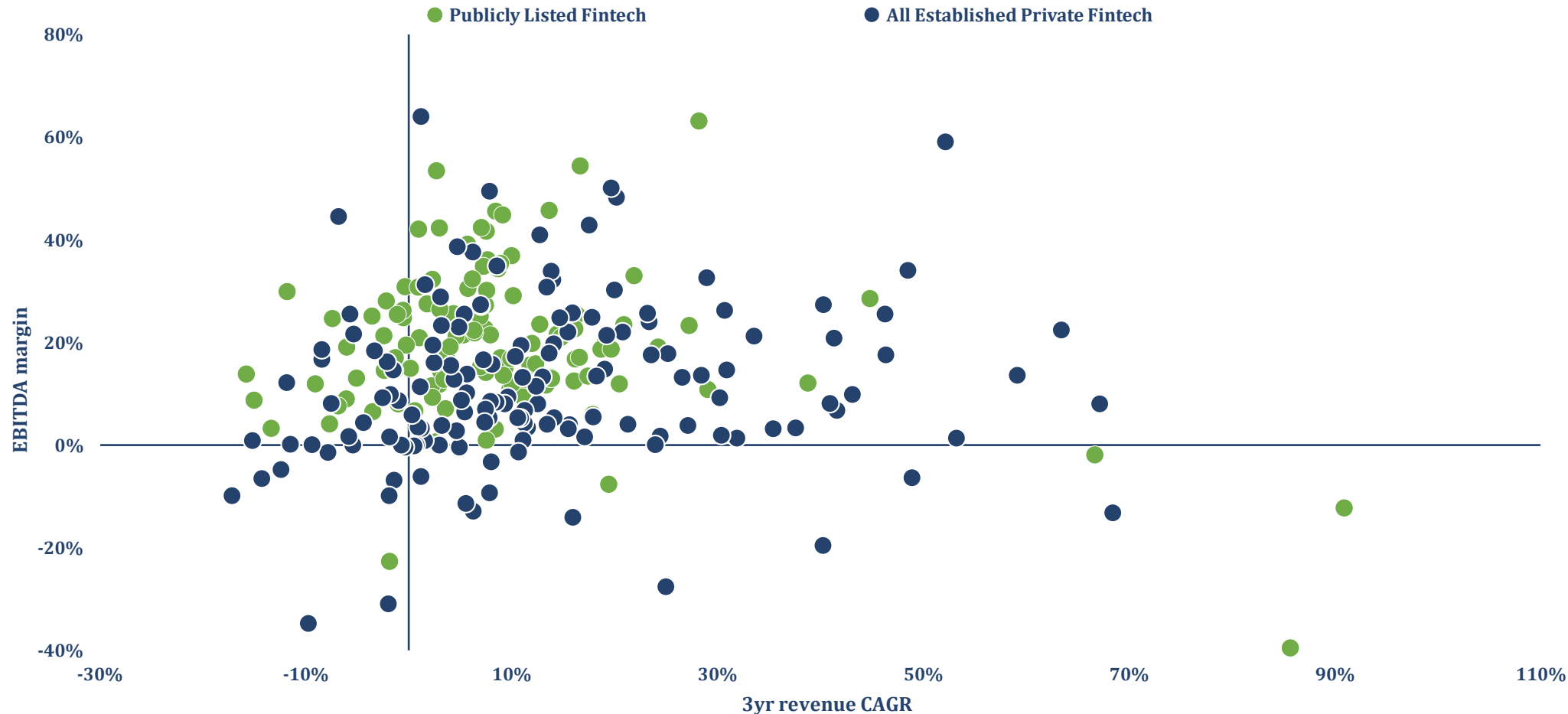


% Of firms whose single year EBITDA margin is above/below their 3-year average EBITDA margin

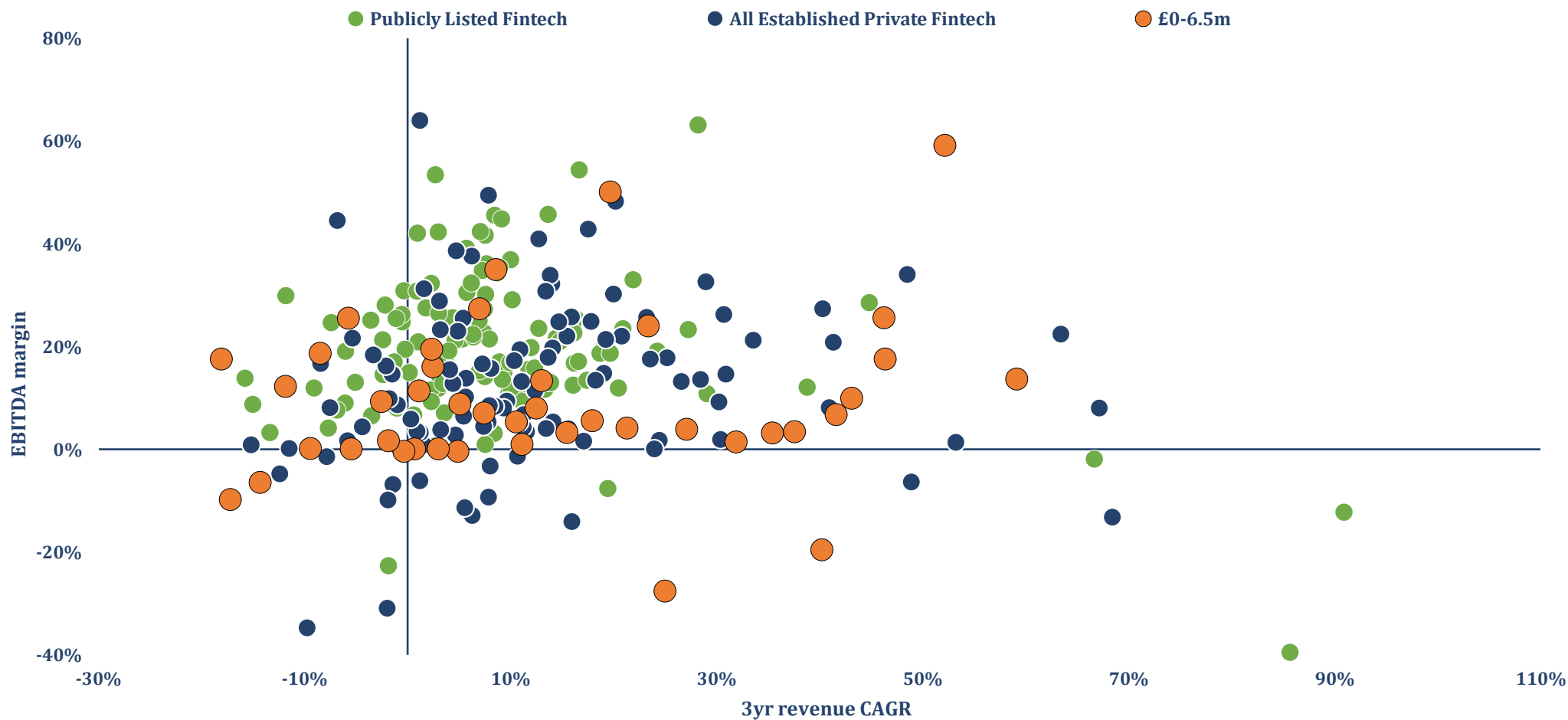


The individual financial performances of Publicly Listed and Established Private Fintech

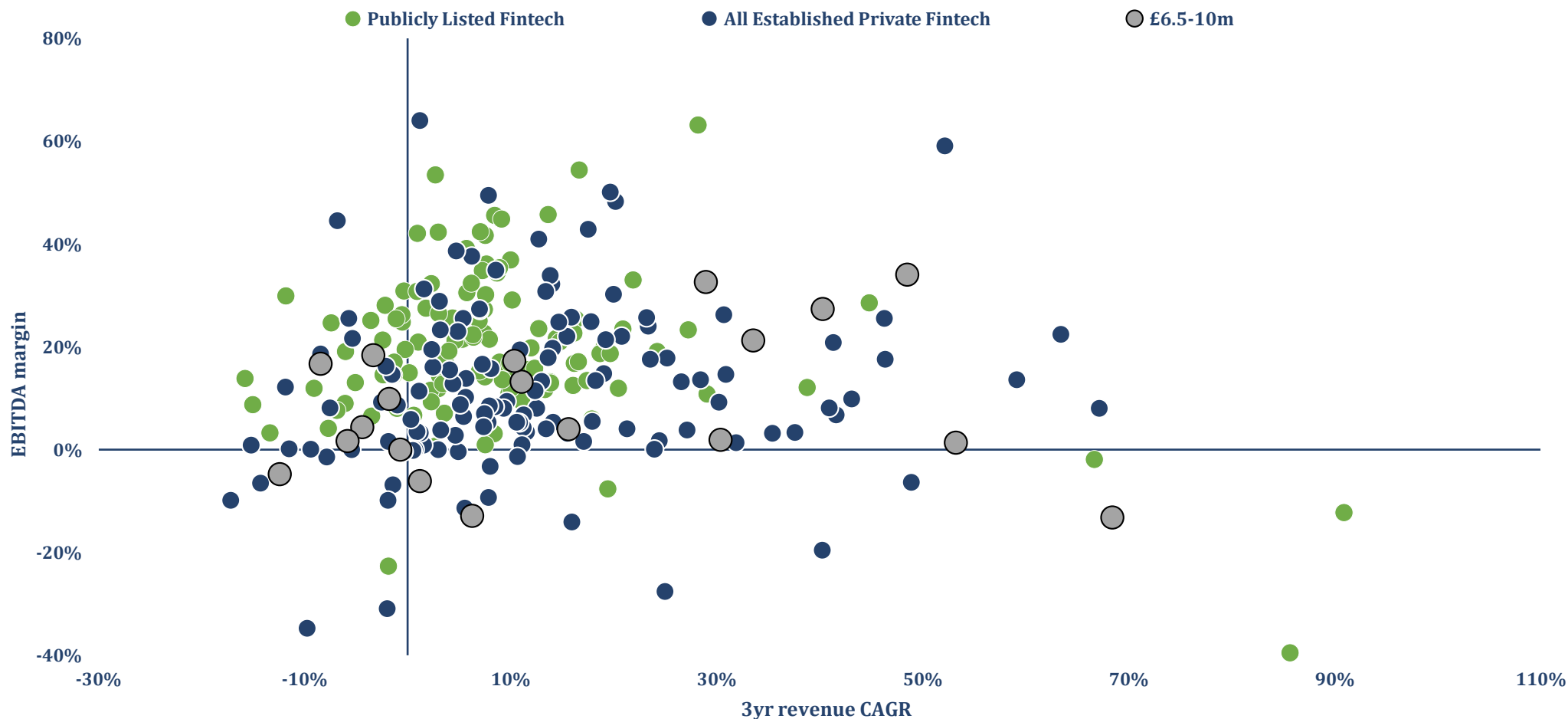
From our previous research we can see that many individual private fintech companies outperform their publicly listed counterparts. The following slides compare the individual performances of companies within each of the size classifications



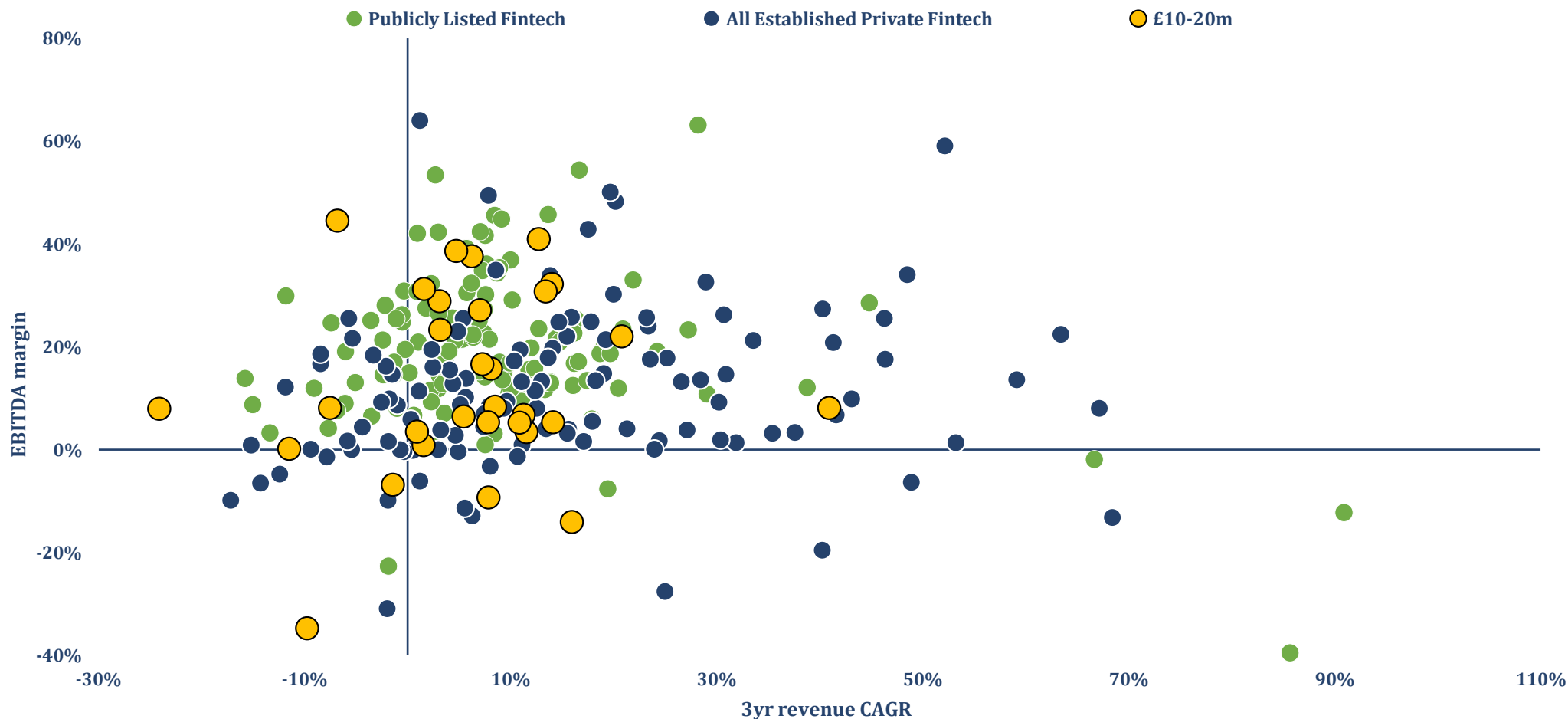
The individual financial performances of Publicly Listed and Established Private Fintech



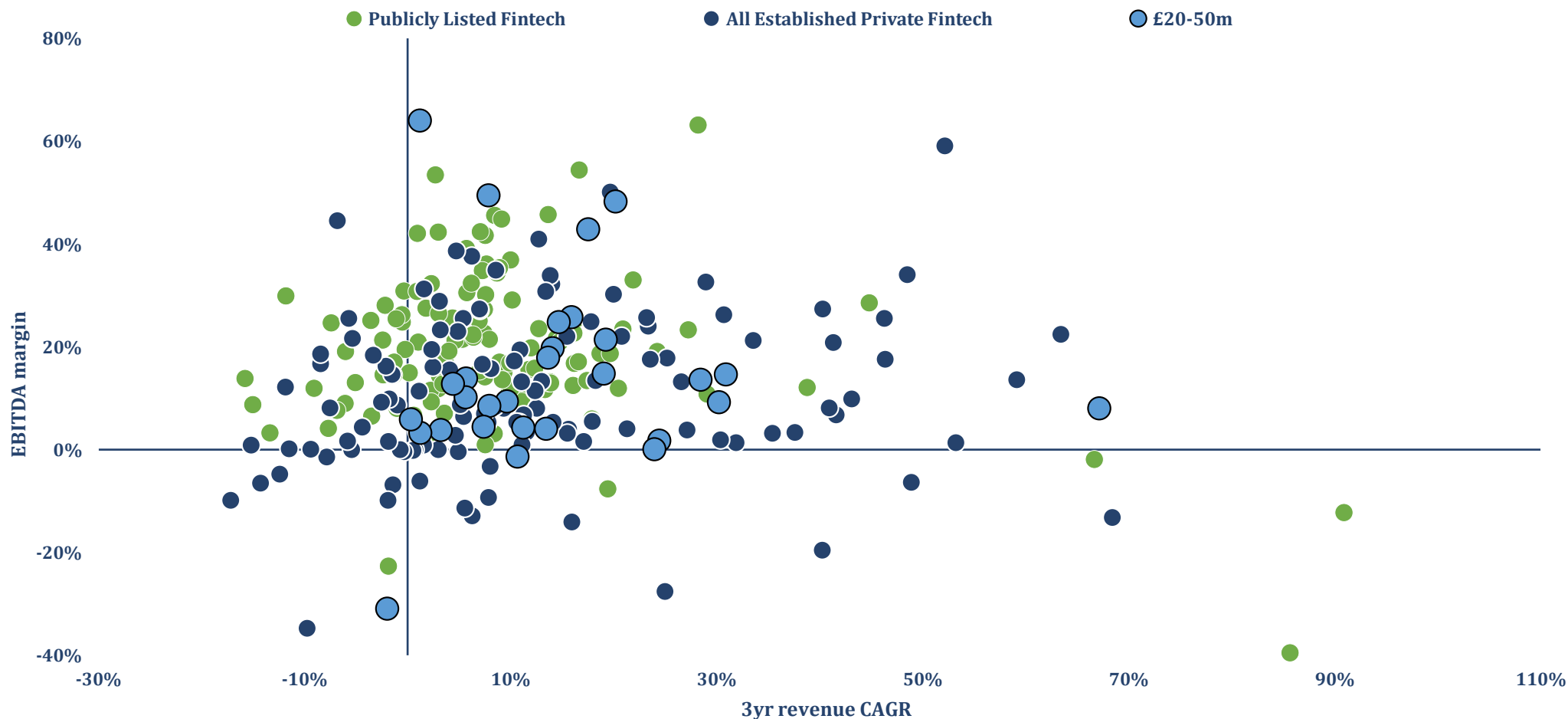
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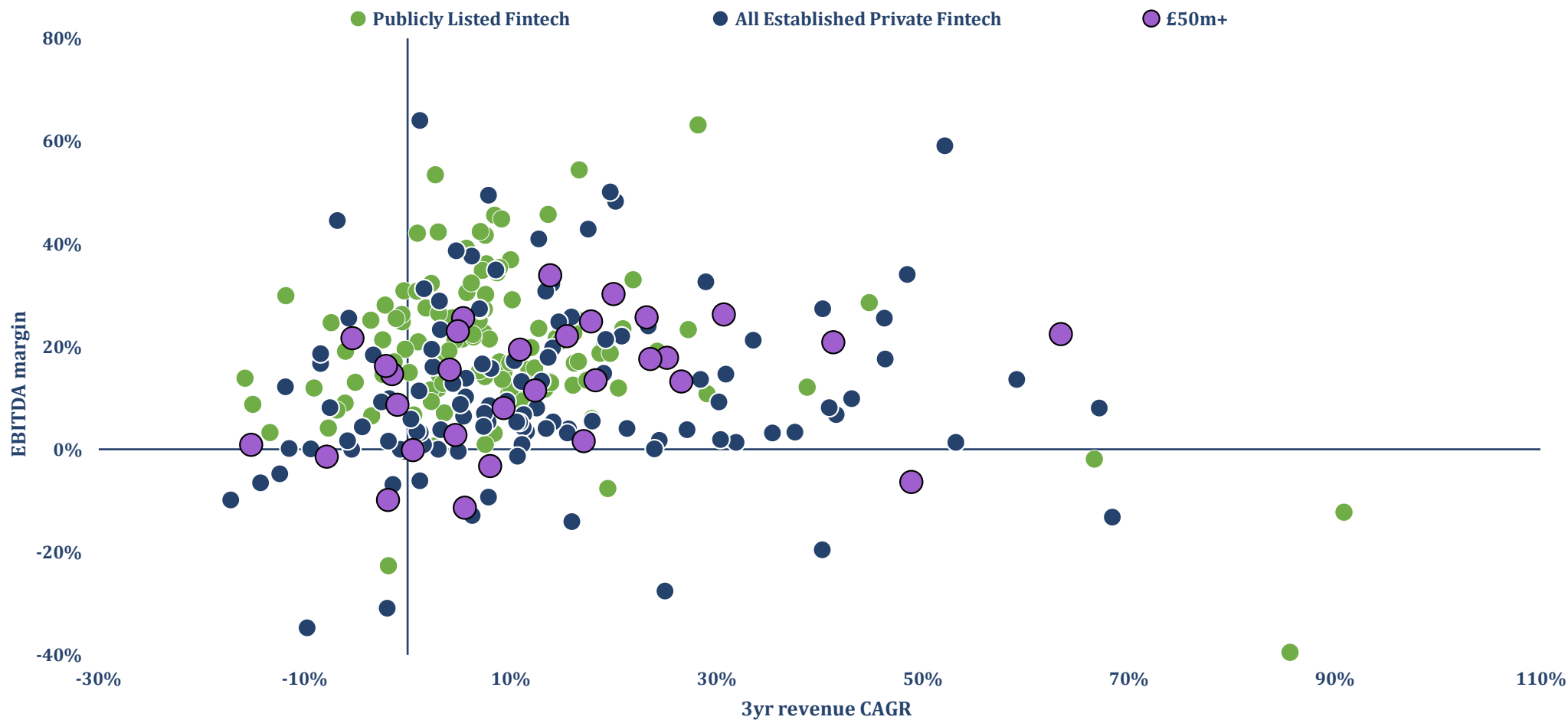
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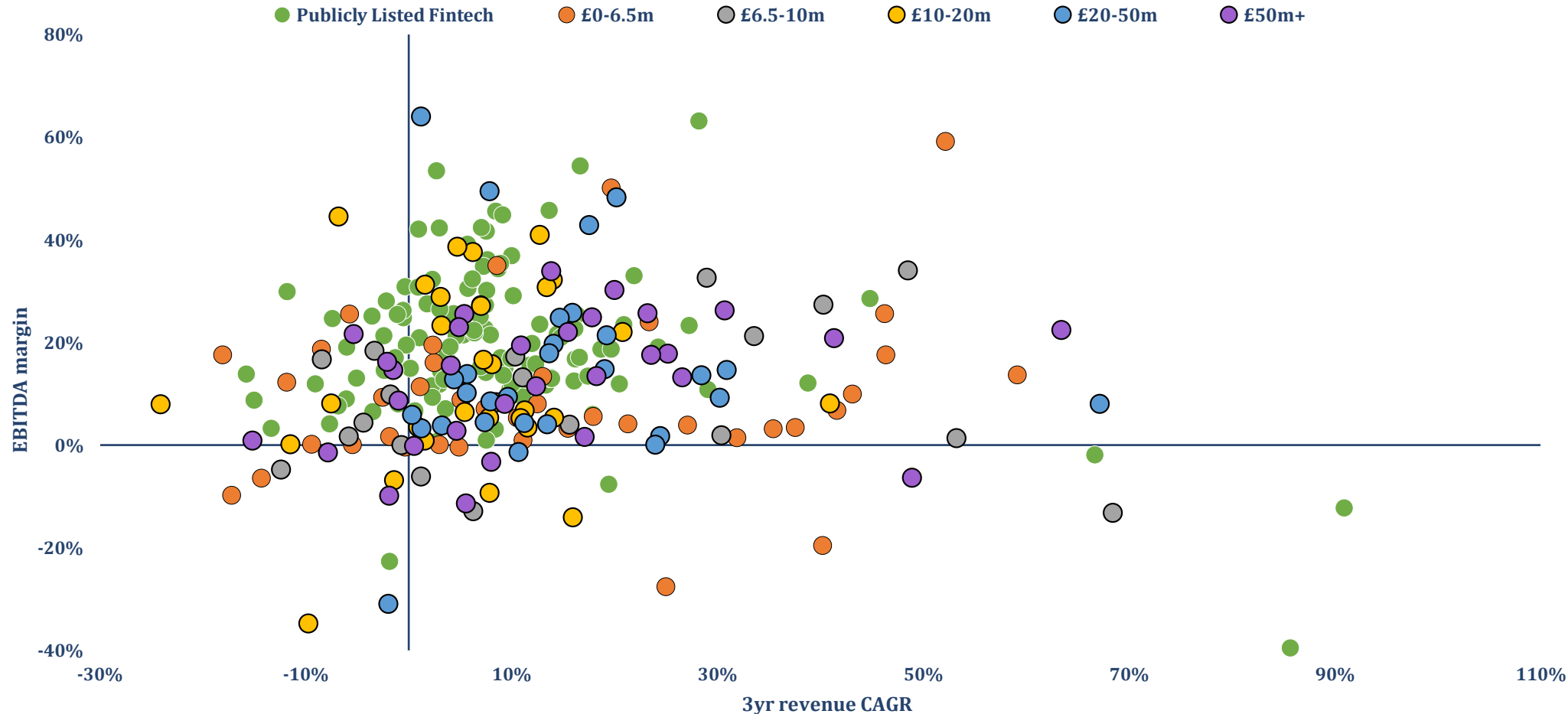


The individual financial performances of Publicly Listed and Established Private Fintech



The individual financial performances of Publicly Listed and Established Private Fintech

At an individual level there appears to be no clear relationship between company size and performance with every group displaying a wide range of financial performances



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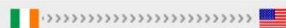
european fintech corporate finance advisors



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



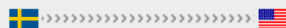
2017



NovitasFTCL advised the shareholders of Neonet on its sale to KCG



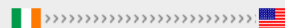
2016



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)



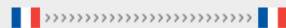
2015



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

