

# Fintech

## Sector and M&A Report

2017



### FinTech reboots financial services

In a few short years, FinTech ('financial technology') has gone from a niche industry to one of the fastest growing and most dynamic sectors in digital technology. Deals are sharply on the rise in Europe: VC investments, M&A activity and strategic partnerships are all increasingly being used to tap growth and adapt strategies to the reordered marketplace.

There is some catching up to do. Most traditional financial incumbents still operate in the digital Dark Ages and must now scramble to do deals that improve digital capabilities and bridge technology deficits. Meanwhile, an army of new entrants (start-ups & internet majors) are building know-how, scale and market share. The industry is entering a period of far-reaching change.

#### Key insights:

- FinTech is a disruptive technology, but should not necessarily be viewed as a disruptive business model. FinTech players that build digital bridges with traditional financial incumbents are the most likely to succeed, working in partnership with existing industry architectures.
- The market is already using deals to reposition itself: VC investments and M&A activity are both rising sharply in Europe, which is maturing from a lower base than the US market. There is strong investor appetite from both financial investors and strategic players (eg. banks) who need to develop smart digital solutions.
- Being a young industry and highly fragmented, consolidation will be a major theme moving forward. Incumbents are looking to acquire product leaders with next-generation operating models, and to improve the customer journey at a lower cost; while startups are designing deals to build scale, market share and access to customers.
- There is massive scope for growth. Citi Bank estimates that around one-third of global banking revenues will be lost over the next decade, as FinTech gains a foothold. Interestingly, 'payments' and 'lending' represent the vast majority of M&A activity, which could be particularly painful for banks, as these are also its most lucrative activities.
- Numerous industry trends are driving growth in FinTech (eg. big data, the cloud, blockchain, internet attackers). In the future, the focus will shift away from frontline activities (payments & lending) to a wider array of solutions that cover the entire value chain - wealth management, insurance, and corporate & investment banking. Looking further ahead, vast eco-systems will blur the lines between what is perceived to be financial services and what is not.



**Arne Laarveld**  
Partner, Capitalmind

*"European financial services has reached a tipping point, and can no longer ignore the enormous impact that digital is having on operating models. Traditional financial incumbents still dominate market share but badly need to develop digital capabilities, while start-ups need to build scale and partnerships that access large customer bases. It's an emerging story; and the M&A market will have front row seats."*

## Key takeaways



### Disruptive technology

A large number of FinTech challengers (start-ups & internet majors) are disrupting traditional financial services using clever digital solutions and smart customer-focused distribution strategies.



### Digital bridges

Most financial incumbents are built on inflexible legacy technologies that need to be modernized. FinTechs are more likely to succeed when they build digital bridges with these players - to support existing financial infrastructure and needs.



### M&A

M&A activity is ramping up across Western Europe as the FinTech market matures, and traditional financial incumbents are forced to deepen their digital offerings.



### Targets

The most active segments for M&A in Europe are 'payments', 'lending', 'investech', 'insurtech' and 'data analytics'.

**Our selected deals in FinTech**

 Sale to 	 Sale to 	 Sale to 	 Acquisition (minority) from 	 Sale of 
 Sale to 	 Sale to 	 Acquisition of 	 Sale to 	 Sale to 
 Funding by 	 Merger with 	 Funding by 		

**If you would like to discuss this report in more detail or opportunities for your business, please call:**



  
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Arne Laarveld is Partner of Capitalmind and leads the firm's FinTech sector coverage. He has worked in corporate finance advisory for 20+ years, advising start-ups, mid-caps and larger corporates and has executed M&A and capital market transactions in the industrial technology, consumer and financial services sectors. Before joining Capitalmind, Arne was Managing Director and co-founder of a boutique investment bank. During this time, he served as corporate finance co-ordinator of the M&A and the ECM group of the European Securities Network (ESN). Arne started his career in Dresdner Kleinwort's global corporate finance division and served as assistant to the management board of Dresdner Bank AG in both Frankfurt and London.

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