

*INNOVATE  
FINANCE*

*2018 FinTech VC  
Investment Landscape*

# INNOVATE / FINANCE

Innovate Finance is an independent membership association that represents the UK's global FinTech community. Founded in 2014 and supported by the City of London and Broadgate, Innovate Finance is a not-for-profit whose mission is to accelerate the country's leading position in the financial services sector by directly supporting the next generation of technology-led financial services innovators.

More than 250 global members have joined the Innovate Finance ecosystem to date, ranging from seed stage startups to global financial institutions and professional services firms. All benefit from Innovate Finance's leading position as the single point of access to promote enabling policy and regulation, talent development, business opportunity and growth, and investment capital.

By bringing together the most forward-thinking participants in financial services, Innovate Finance is helping create a global financial services sector that is more sustainable, more inclusive and better for everyone.

**BROADGATE**



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## Venture capital invested in FinTech is at record levels

2018 was a record year in FinTech with \$36.6 billion of venture capital invested in the sector across 2,304 deals, a 148% or 2.5x increase from 2017 and a 329% or 4.3x increase over five years. The second quarter of 2018, in particular, saw Ant Financial raise an astonishing \$14 billion – both a record for FinTech as well as for venture capital.

The top countries for FinTech in 2018 remained unchanged with China, United States and United Kingdom claiming the top three positions once again in total capital invested. China led with \$18.9 billion invested across 90 deals, driven by strong deal headwinds of Ant Financial (\$14 billion) and JD Digits (\$1.9 billion). The United States evidenced the most dynamic and mature market with \$10.6 billion across 1,042 deals, a 52% increase in capital invested year over year. The United Kingdom followed on in third place (and leading Europe) with \$1.7 billion invested across 261 deals.

Venture capital investment into FinTech in both China and the United States overshadowed and outpaced all other global regions. Among the top fifteen deals this past year, over half occurred in the United States and a third in China. Combined, both China and the United States represent eighty percent of the the world's largest fifteen deals.

A significant prevailing trend in 2018 was a drop in deal volume globally (despite the increase in capital invested). Deal volume decreased from 2,664 in 2017 to 2,304 in 2018, a -14% drop year over year. Only in the third quarter of 2018 was there an increase over 2017.

## The United Kingdom's FinTech sector continues to lead Europe

The United Kingdom's FinTech sector remains strong with British FinTech firms attracting more venture capital funding than any other European country once again. Venture capital invested in 2018 totaled \$1.73 billion across 261 deals, compared with \$1.80bn and 298 deals in 2017.

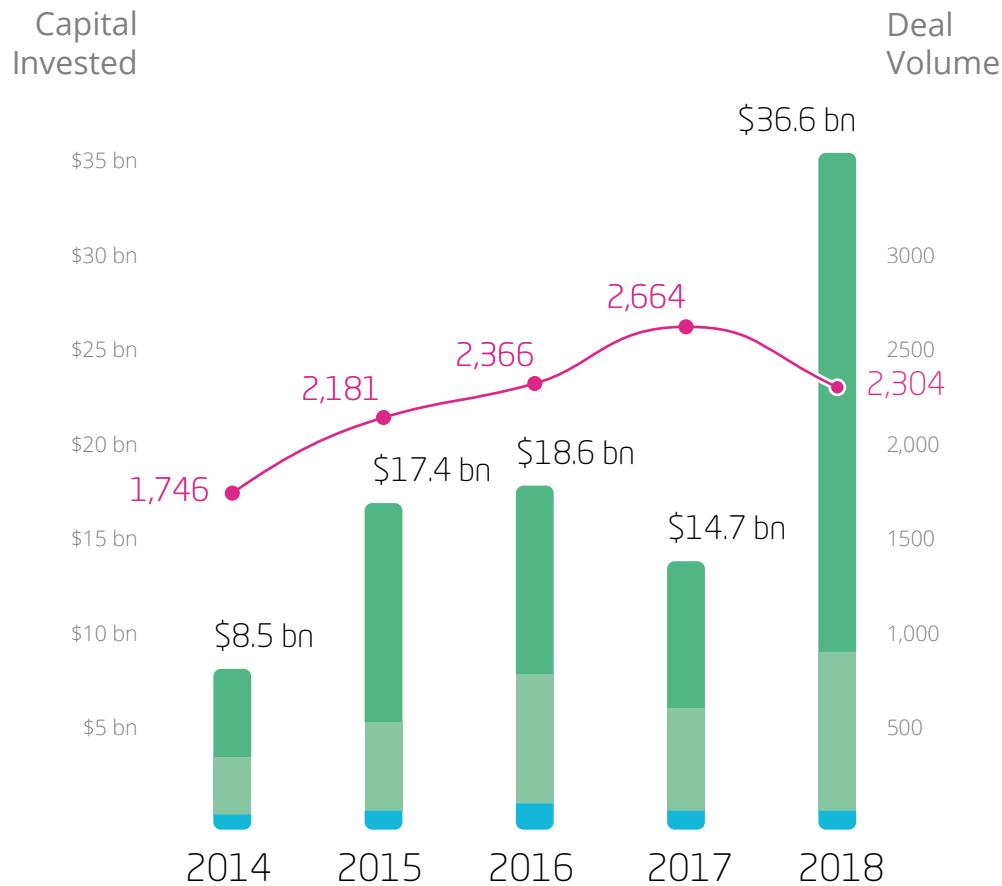
The United Kingdom's FinTech sector is also maturing, with Funding Circle's IPO in 2018 and more deals gradually becoming private equity led. Growth private equity into FinTech in 2018 was \$1.6 billion across 31 deals, a significant 57% or 1.6x increase in capital from 2017 (and a 1114% or 12.2x increase over five years). With larger FinTech startups now becoming household names and employing hundreds of people, they are also simultaneously raising larger rounds.

2018 was also the year of challengers and banking platforms scaling up across Europe. Revolut, Monzo and Monese in the United Kingdom and N26 and SolarisBank in Germany raised record amounts. Lending and financing platforms also saw significant fundraising rounds in the UK with Liberis, Zopa and LendInvest. Across Europe, blockchain technology companies had a record year as well with SEBA Crypto, BitFury, Dfinity and Paxos.



Global

# Global FinTech VC Investment 5 Year Trend



2018 was a record-setting year for venture capital investment in FinTech with \$36.6 billion invested globally, representing a 148% or 2.5x increase over 2017. With more capital flooding into the sector, deals continue to increase in size.

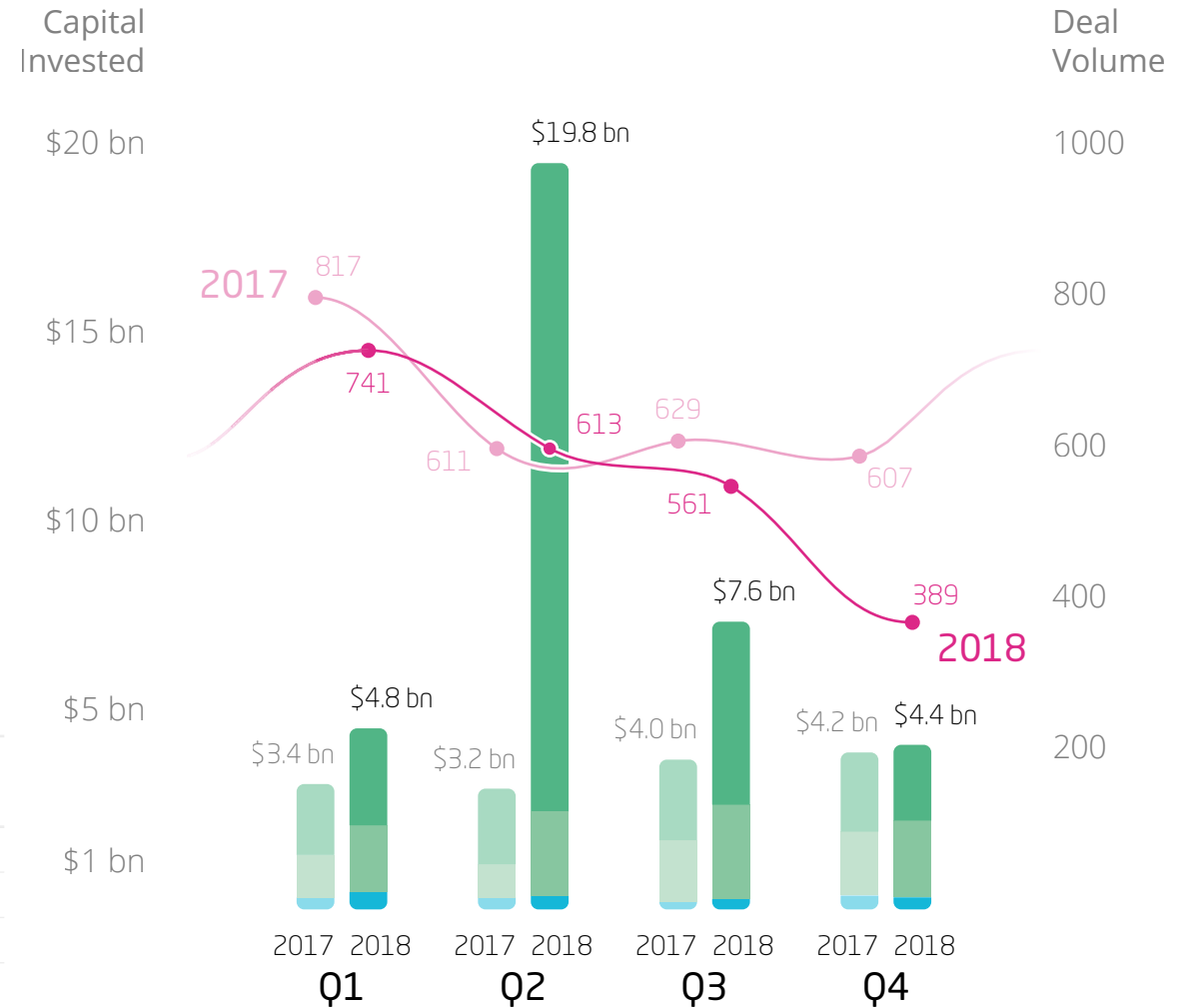
Ant Financial's \$14 billion fundraising in Q2 was not only a record within FinTech but also for VC more broadly. This single deal accounts for 39% of the total amount of venture capital raised globally in FinTech. Removing the Ant Financial deal from total VC investment shows \$22.6 billion of capital invested – still an impressive 53% or 1.5x increase from 2017.

	2014	2015	2016	2017	2018	YoY	5 Yr
● Deal Volume	1,746	2,181	2,366	2,664	2,304	-14%	32%
● Capital Invested (\$M)	8,517	17,352	18,571	14,728	36,569	148%	329%
● Angel / Seed (\$M)	810	1,058	1,321	1,269	1,460	15%	80%
● Early VC (\$M)	3,025	4,680	6,889	5,345	8,512	59%	181%
● Later VC (\$M)	4,683	11,614	10,360	8,114	26,597	228%	468%

# Global FinTech VC Investment Quarterly Analysis

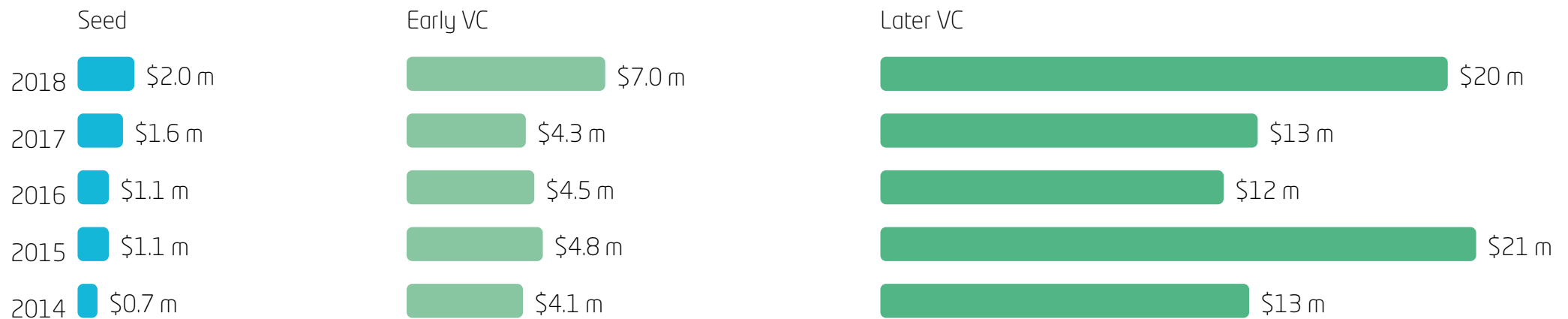
Capital invested in 2018 increased across every quarter from 2017. Ant Financial's fundraising of \$14 billion fell within the second quarter of 2018, representing an enormous jump of 6x from 2017. Deal volume in 2018, aside from Q3, decreased YoY across the board.

	2017				2018			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
● Deal Volume	817	611	629	607	741	613	561	389
Capital Invested (\$M)	3,362	3,229	3,980	4,158	4,794	19,773	7,621	4,381
● Angel / Seed (\$M)	335	351	213	370	464	374	278	343
● Early VC (\$M)	1,146	876	1,632	1,690	1,762	2,222	2,497	2,032
● Later VC (\$M)	1,880	2,002	2,135	2,098	2,569	17,176	4,847	2,006



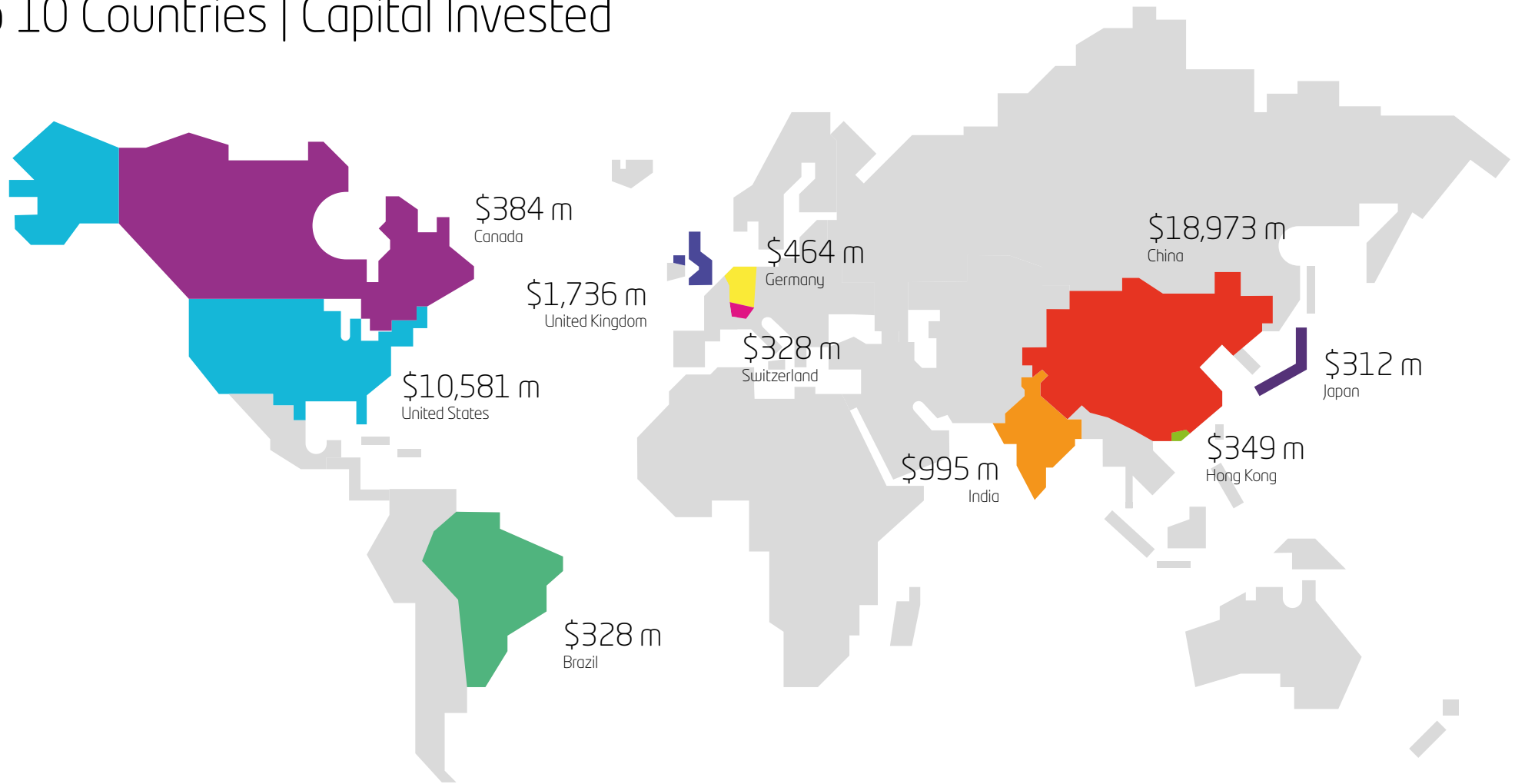
# Global FinTech VC Investment Median Deal Size

Capital invested in seed, early VC, and later VC rounds has been steadily increasing over the last 5 years. In particular, the last 12-months observed the largest jump of median deal size with seed increasing 23%, early VC increasing 65% and later VC increasing 50% between 2017 and 2018.





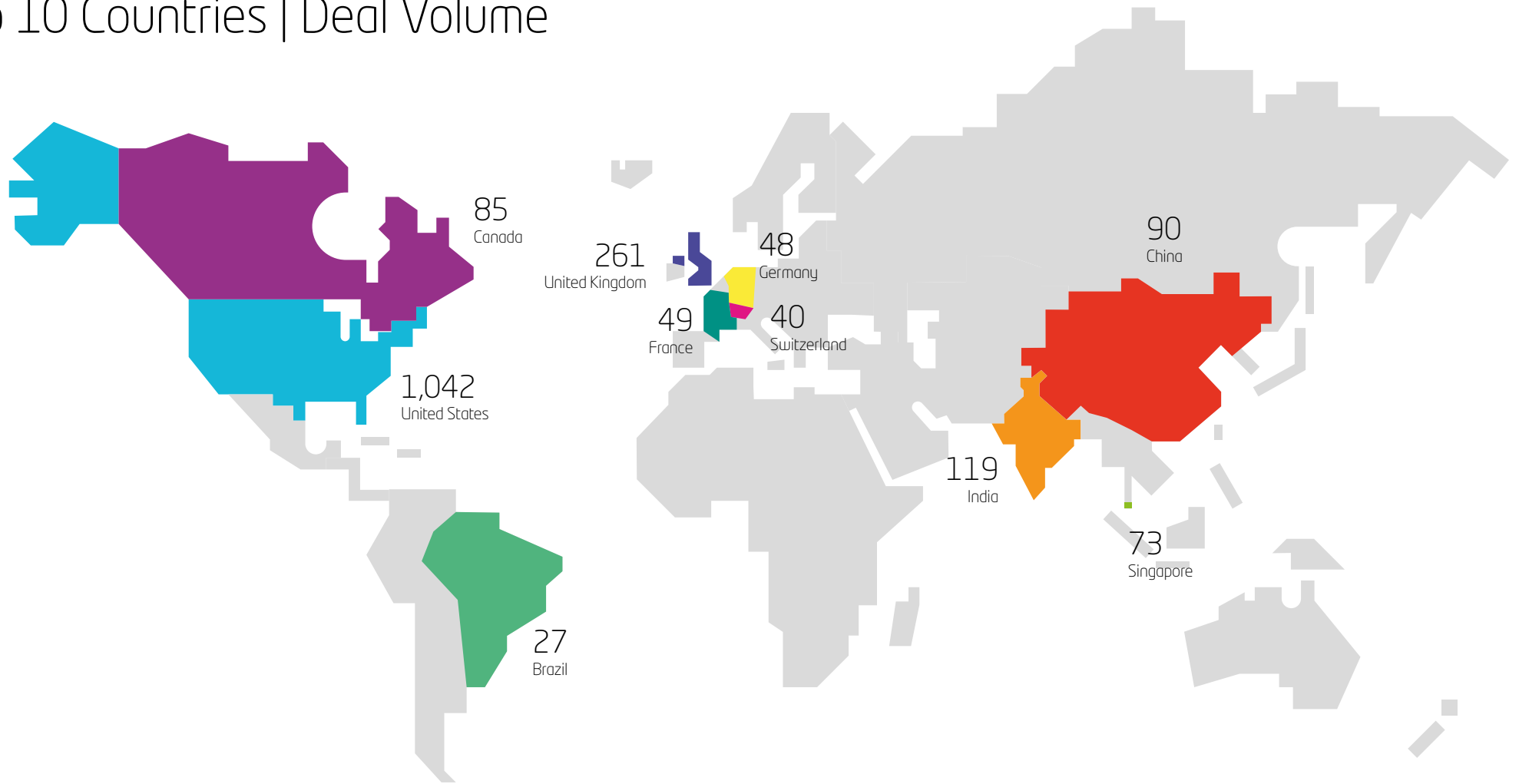
# Global FinTech VC Investment Top 10 Countries | Capital Invested



● China ● US ● UK ● India ● Germany ● Canada ● Hong Kong ● Switzerland ● Brazil ● Japan

Rank	1	2	3	4	5	6	7	8	9	10
Capital Invested (\$M)	18,973	10,581	1,736	995	716	384	349	328	328	312

# Global FinTech VC Investment Top 10 Countries | Deal Volume



● US    
 ● UK    
 ● India    
 ● China    
 ● Canada    
 ● Singapore    
 ● France    
 ● Germany    
 ● Switzerland    
 ● Brazil

Rank	1	2	3	4	5	10	6	7	8	9
Deal Volume	1,042	261	119	90	85	73	49	48	40	27

# Global FinTech VC Investment Top 5 Deals

Ant Financial's \$14 billion fundraising was a record in venture capital investment, representing 38% of all FinTech VC investment in 2018. China and the US dominate with the largest deals of the year.



**Ant Financial**  
\$14,000 m

**JD Digits**  
\$1,938 m

**Dataminr**  
\$392 m

**Oscar**  
\$375 m

**Robinhood**  
\$363 m

Payments, Alternative  
Lending & Financing  
China

Payments  
China

Data Services & AI  
United States

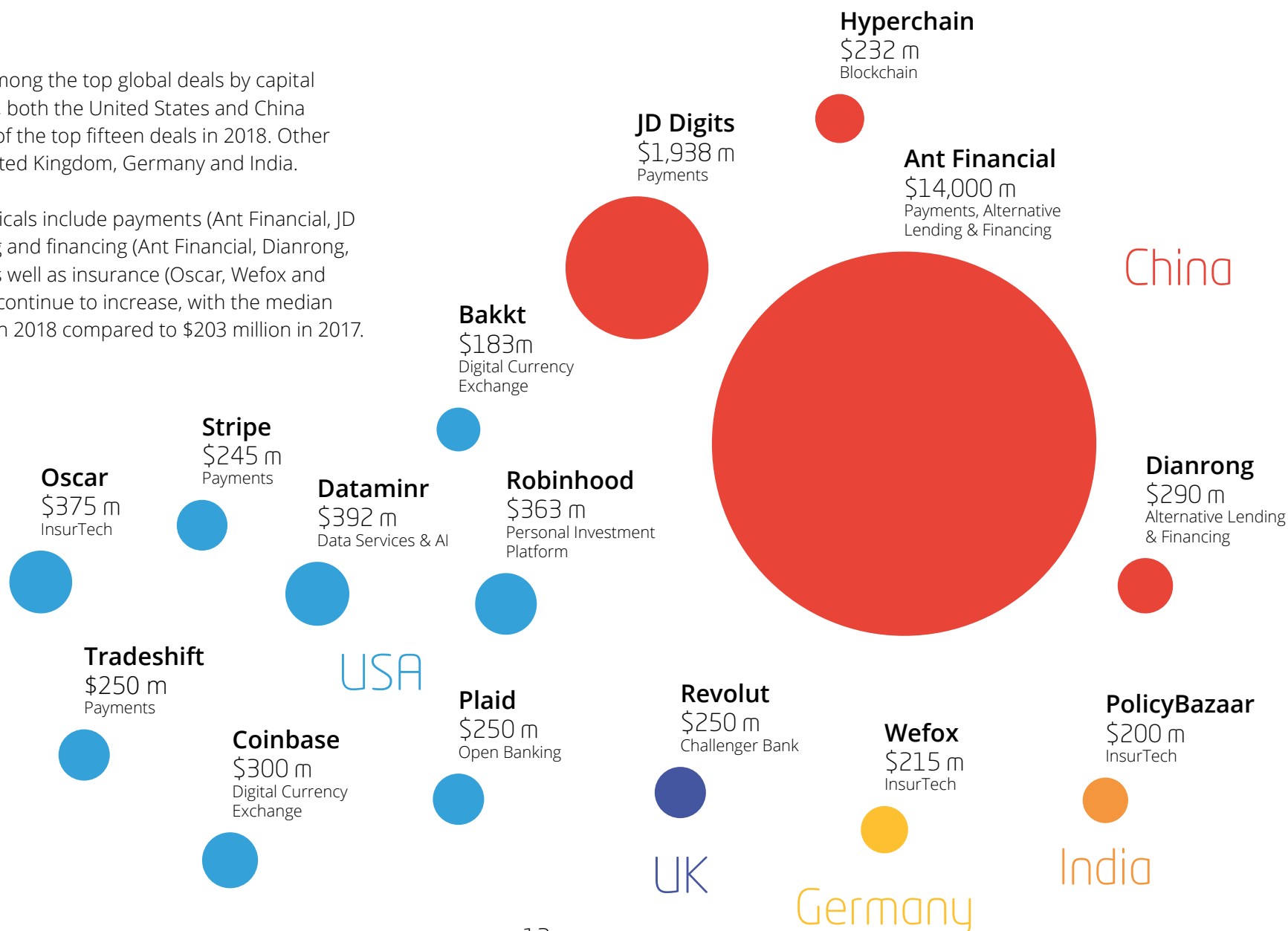
InsurTech  
United States

Personal Investment  
Platform  
United States

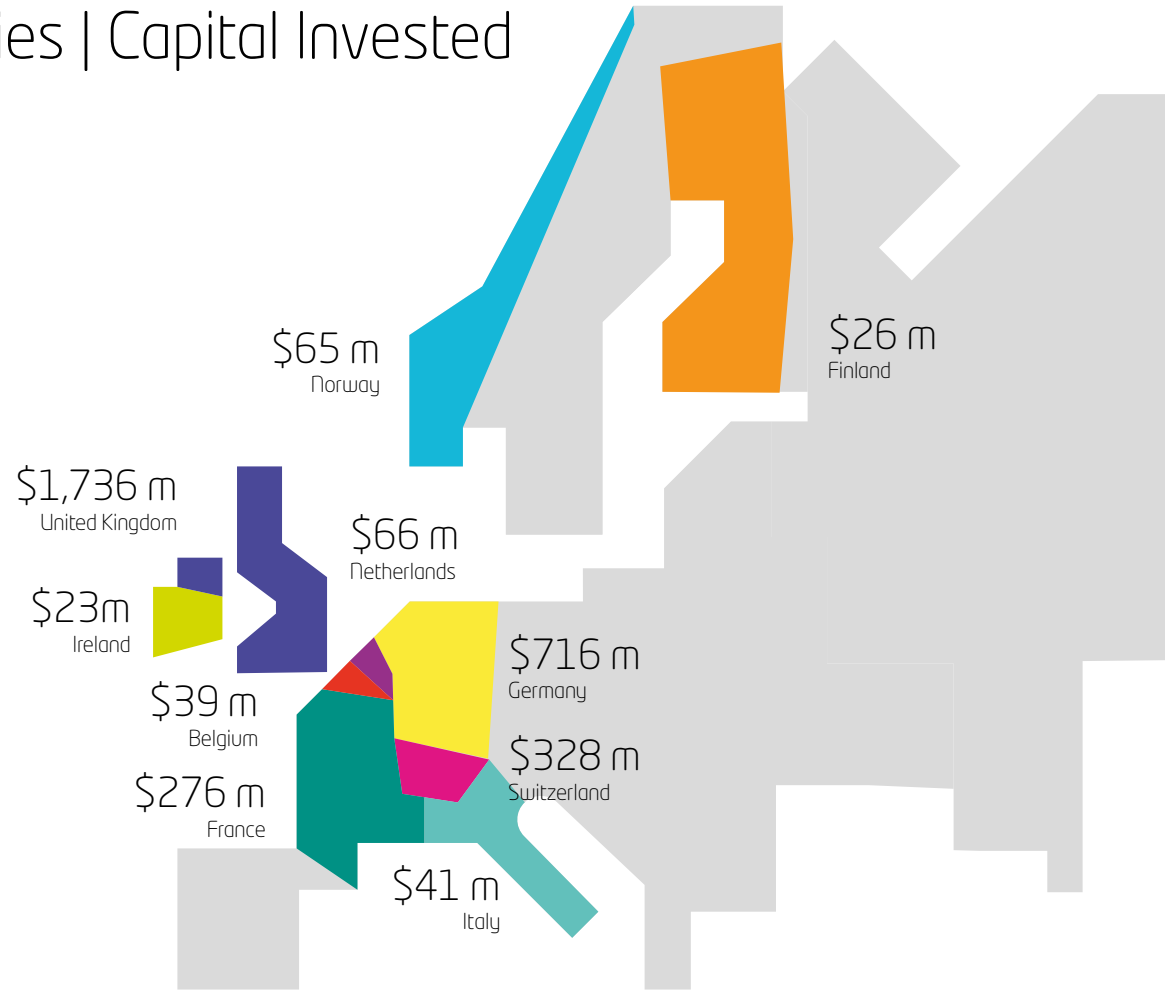
# Global FinTech VC Investment Top 15 Deals

Several trends emerge among the top global deals by capital raised. Most prominently, both the United States and China account for all but three of the top fifteen deals in 2018. Other countries include the United Kingdom, Germany and India.

The most prominent verticals include payments (Ant Financial, JD Digits and Stripe), lending and financing (Ant Financial, Dianrong, Ribbon and Tradeshift) as well as insurance (Oscar, Wefox and PolicyBazaar). Deal sizes continue to increase, with the median deal size at \$290 million in 2018 compared to \$203 million in 2017.

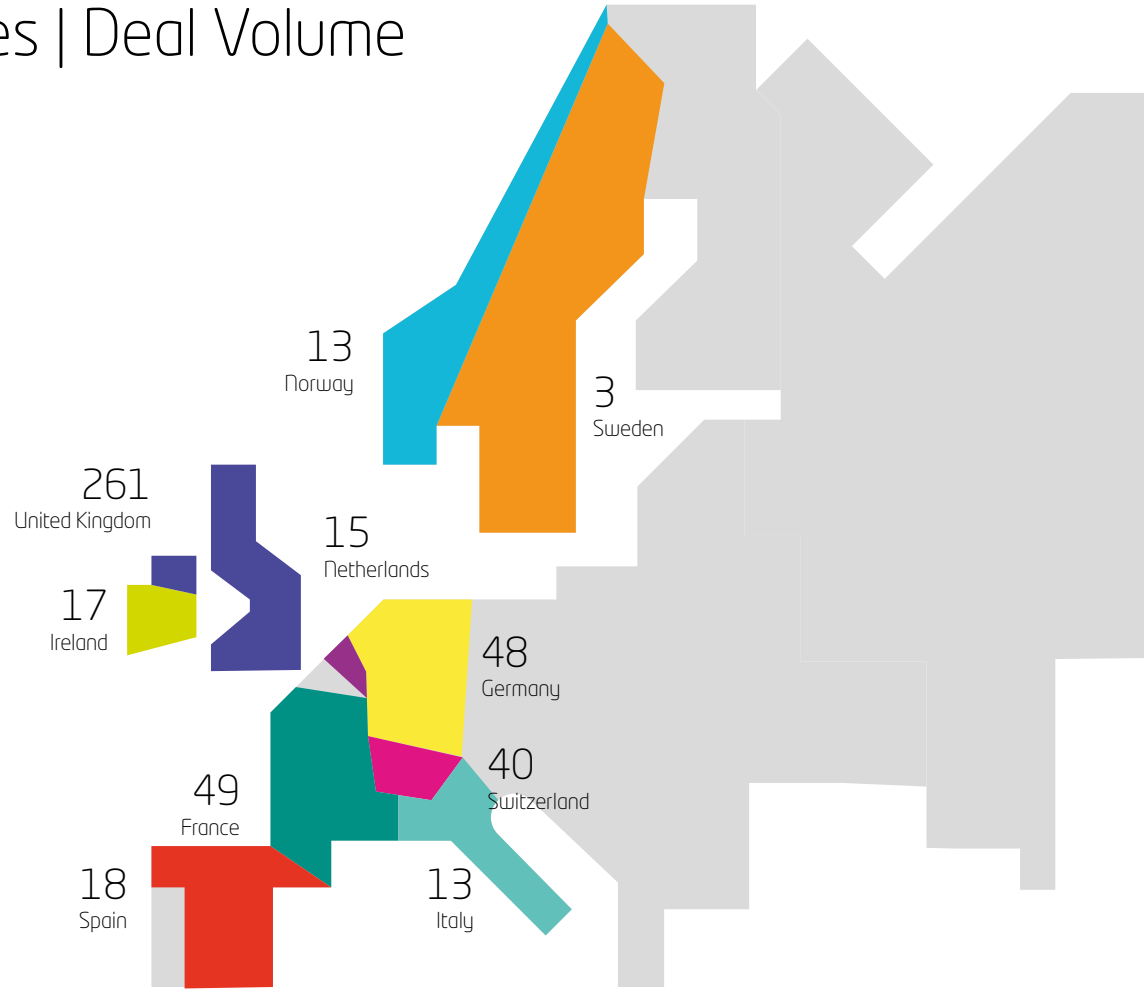


# Top 10 European Countries | Capital Invested



	UK	Germany	Switzerland	France	Netherlands	Norway	Italy	Belgium	Finland	Ireland
Rank	1	2	3	4	5	6	7	8	9	10
Capital Invested (\$M)	1,736	716	328	276	66	65	41	39	26	23

# Top 10 European Countries | Deal Volume



	UK	France	Germany	Switzerland	Spain	Ireland	Netherlands	Norway	Italy	Sweden
Rank	1	2	3	4	5	6	7	8	9	10
Deal Volume	261	49	48	40	18	17	15	13	13	3

# Global FinTech VC Investment Top 5 European Deals

Revolut's \$250 million fundraising was Europe's largest deal and ranked within the global top ten deals of 2018. Challenger banks raised a record amount of capital with Revolut, N26 and Monzo among the largest deals.



**Revolut**  
\$250 m

**Wefox**  
\$215 m

**N26**  
\$160 m

**Monzo**  
\$111 m

**SEBA Crypto**  
\$103 m

Challenger Bank  
UK

InsurTech  
Germany

Challenger Bank  
Germany

Challenger Bank  
UK

Blockchain &  
Digital Currencies  
Switzerland

# Global FinTech VC Investment Top 15 European Deals

Within Europe, over half of the top fifteen venture capital deals in 2017 and 2018 occurred in the United Kingdom. 2018 also saw a record amount of capital fundraised by challengers and banking platforms (Revolut, N26, Monzo, SolarisBank and Monese) as well as in blockchain and digital currencies (SEBA Crypto, Dfinity, BitFury and Paxos).





UK



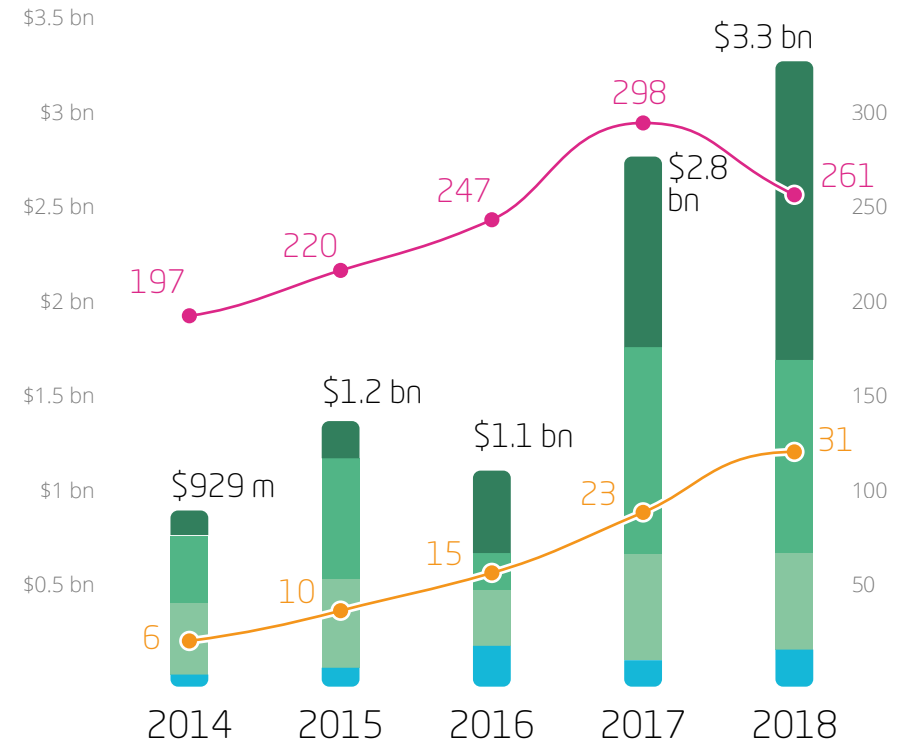
# UK FinTech Investment - VC and PE

Investment in the UK FinTech sector rose to a record \$3.3 billion in 2018, up 18% year-on-year. Growth private equity investment rose 57% to \$1.6 billion, while venture capital dipped to \$1.7 billion as the UK FinTech sector enters a new stage of its growth journey, ahead of its peers in Europe.

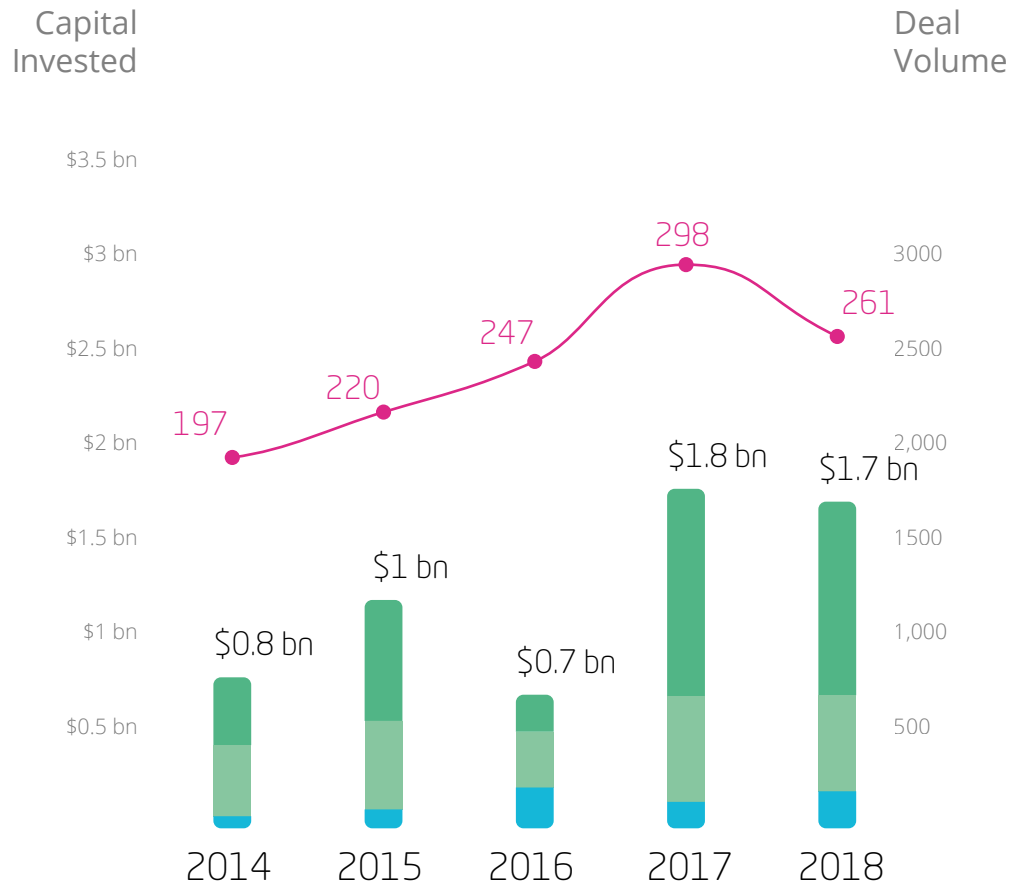
	2014	2015	2016	2017	2018	YoY	5 Yr
<b>Deal Volume</b>							
● VC	197	220	247	298	261	-12%	32%
● PE	6	10	15	23	31	35%	417%
<b>Capital Invested (\$M)</b>							
● Angel / Seed (\$M)	64	61	219	141	199	42%	212%
● Early VC (\$M)	376	375	295	562	511	-9%	36%
● Later VC (\$M)	359	642	198	1,099	1,025	-7%	185%
● Growth PE (\$M)	130	197	438	1,008	1,583	57%	1114%

## Capital Invested

## Deal Volume



# UK FinTech VC Investment 5 Year Trend - VC Only



Venture capital invested in the United Kingdom in 2018 was \$1.7 billion invested across 261 deals. Capital invested in angel and seed rounds increased YoY meanwhile early and later VC rounds was down.

Deal volume across all rounds decreased steadily to 261 deals in 2018 from 298 deals in 2017, reflecting the declining trend occurring globally.

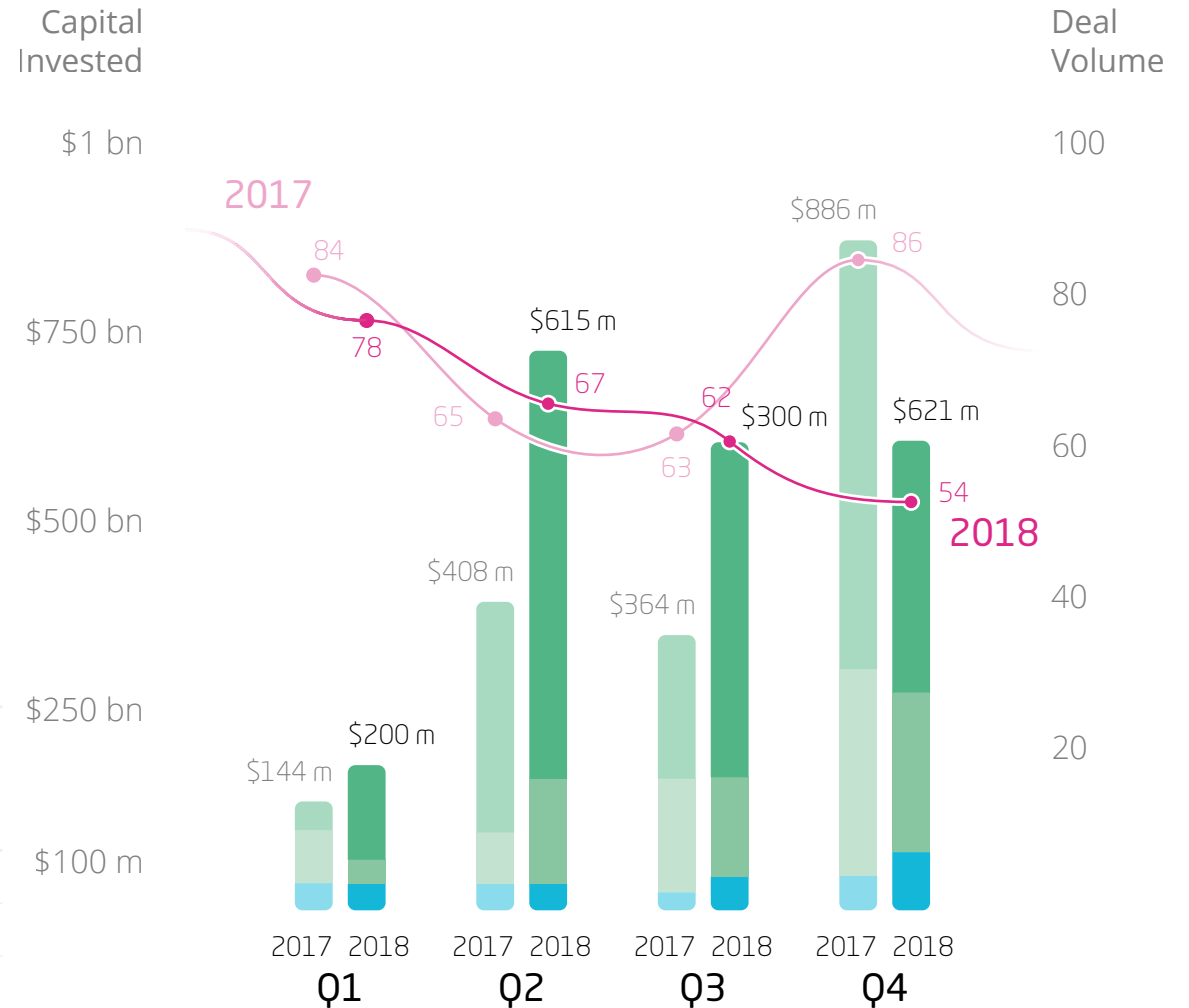
	2014	2015	2016	2017	2018	YoY	5 Yr
● Deal Volume	197	220	247	298	261	-12%	32%
● Capital Invested (\$M)	799	1,077	712	1,802	1,736	-4%	117%
● Angel / Seed (\$M)	64	61	219	141	199	42%	212%
● Early VC (\$M)	376	375	295	562	511	-9%	36%
● Later VC (\$M)	359	642	198	1,099	1,025	-7%	185%

# UK FinTech VC Investment Quarterly Analysis

Both the second and fourth quarter of 2018 saw the strongest trends in capital raised. The three big deals of Q2 included Revolut (\$250m), Liberis (\$81m) and Paxos (\$65m) meanwhile in Q4 included Monzo (\$111m), BitFury (\$80m) and Zopa (\$78m).

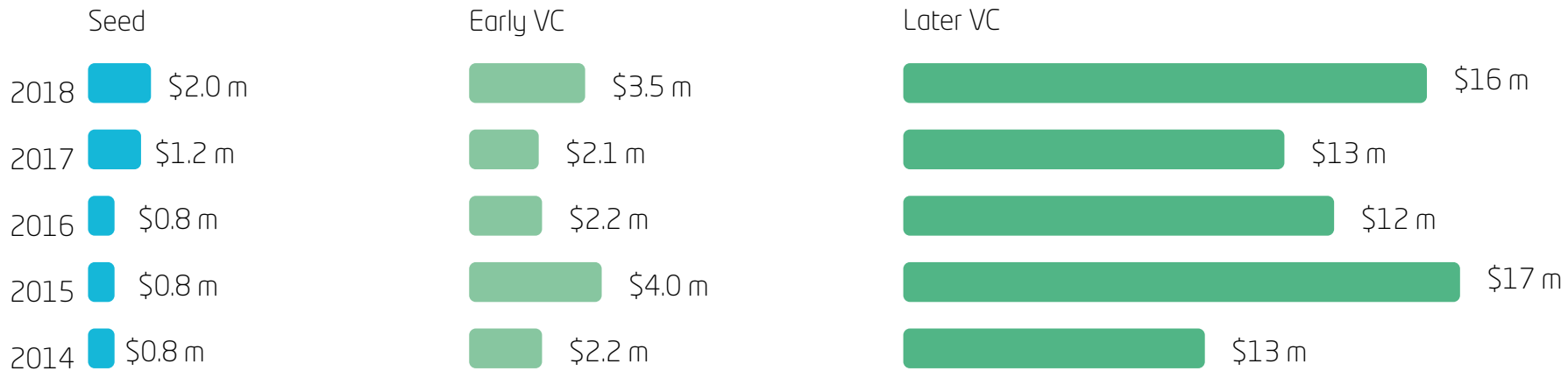
Capital invested in the first three quarters of 2018 outpaced 2017. The only exception this year was the final quarter of 2018 as last year's largest two VC rounds, TransferWise (\$280m) and OakNorth (\$230m), fell in the final few months of 2017. As 2018 progressed, there was a steady downward trend in deal volume, from a high in Q1 of 78 deals to a low of 54 deals in Q4.

	Year	2017				2018			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
● Deal Volume		84	65	63	86	78	67	62	54
Capital Invested (\$M)		144	408	364	886	200	615	300	621
● Angel / Seed (\$M)		36	35	24	46	43	45	45	77
● Early VC (\$M)		70	68	150	273	32	138	131	211
● Later VC (\$M)		38	305	190	567	125	443	124	333








# UK FinTech VC Investment Median Deal Size

Overall deal sizes have been steadily increasing over the past five years across all segments. The last 12 months observed the largest YoY jump of median deal size with seed increasing 23%, early VC increasing 65% and later VC increasing 50% over 2017.



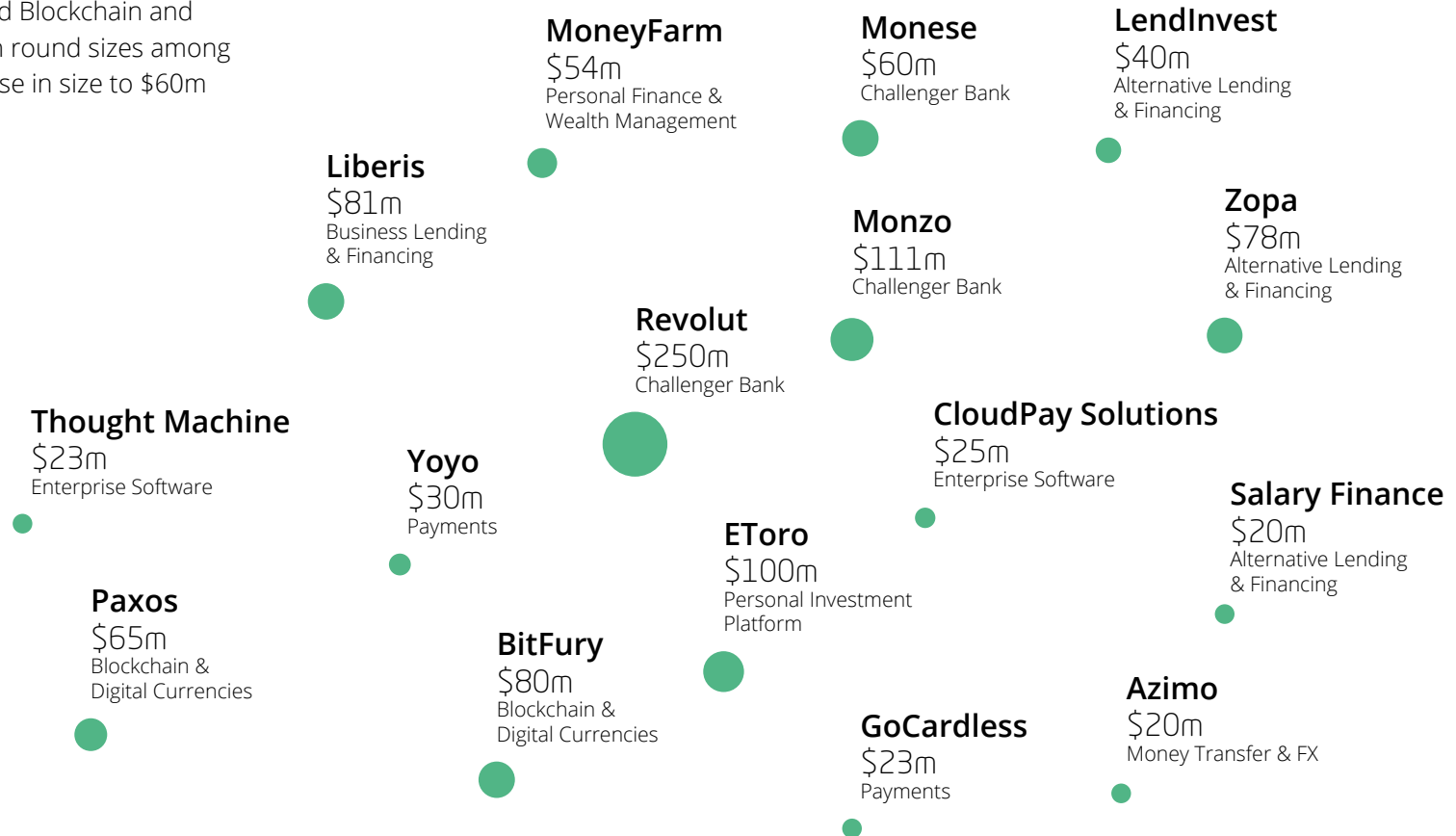
# UK FinTech VC Investment Top 5 VC Deals

Revolut's \$250 million fundraising was the UK's largest deal and ranked in the global top ten deals of 2018. Challenger banks raised a record amount of capital in 2018 with Revolut and Monzo among the largest. London stands out as the primary HQ of the largest five deals.

				
<b>Revolut</b> \$250 m	<b>Monzo</b> \$111 m	<b>eToro</b> \$100 m	<b>Liberis</b> \$81 m	<b>BitFury</b> \$80 m
Challenger Bank London	Challenger Bank London	Personal Investment Platform London	Alternative Lending & Financing London	Blockchain London

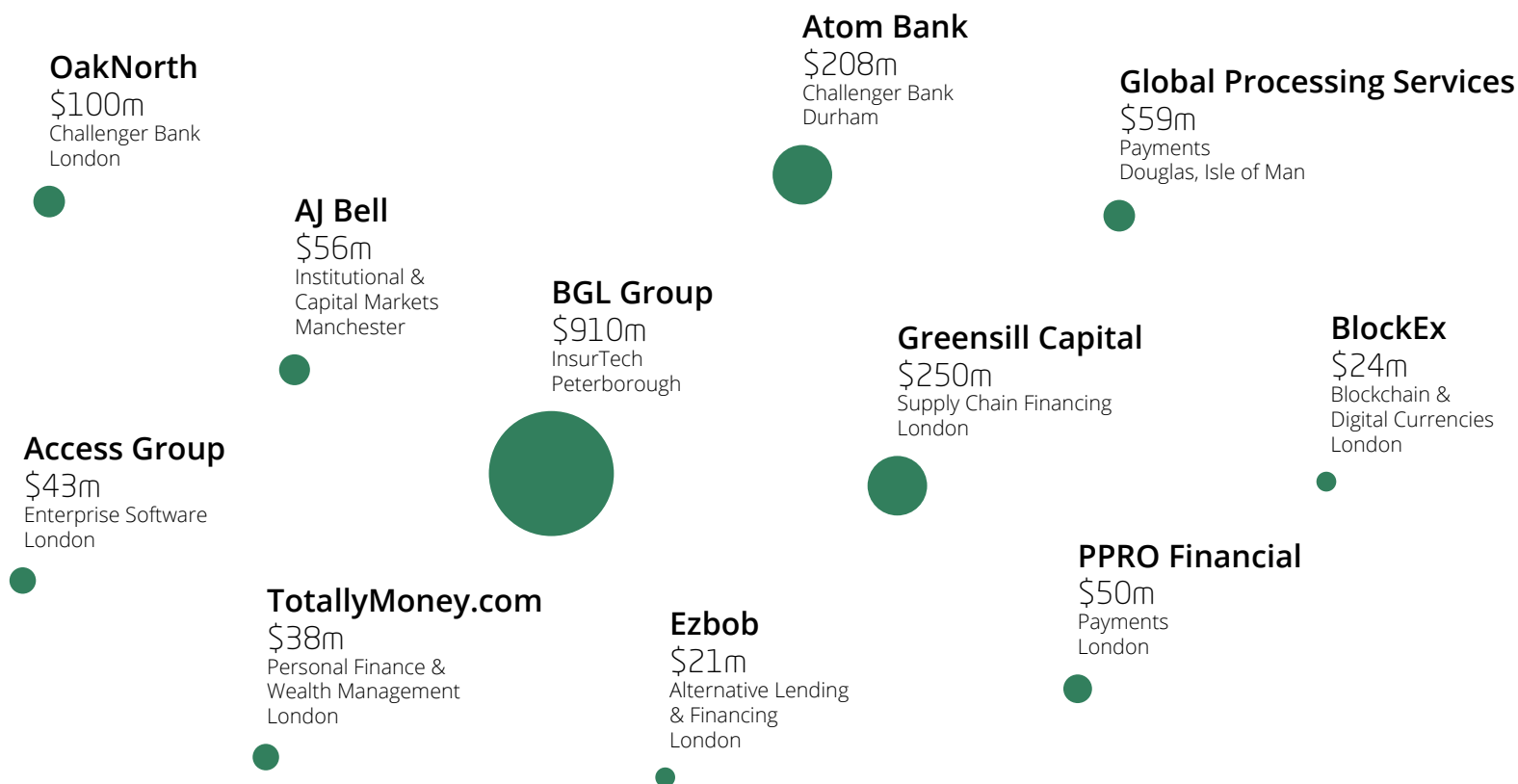
# UK FinTech VC Investment Top VC Deals

Challenger Banks took the lion's share of VC investment at 27% of the total, followed by Personal Finance and Wealth Management (19%), Alternative Lending and Financing (18%) and Blockchain and Digital Currencies (10%). Median round sizes among the top deals continue to increase in size to \$60m from \$50m in 2017.



# UK FinTech VC Investment Top Growth PE Deals

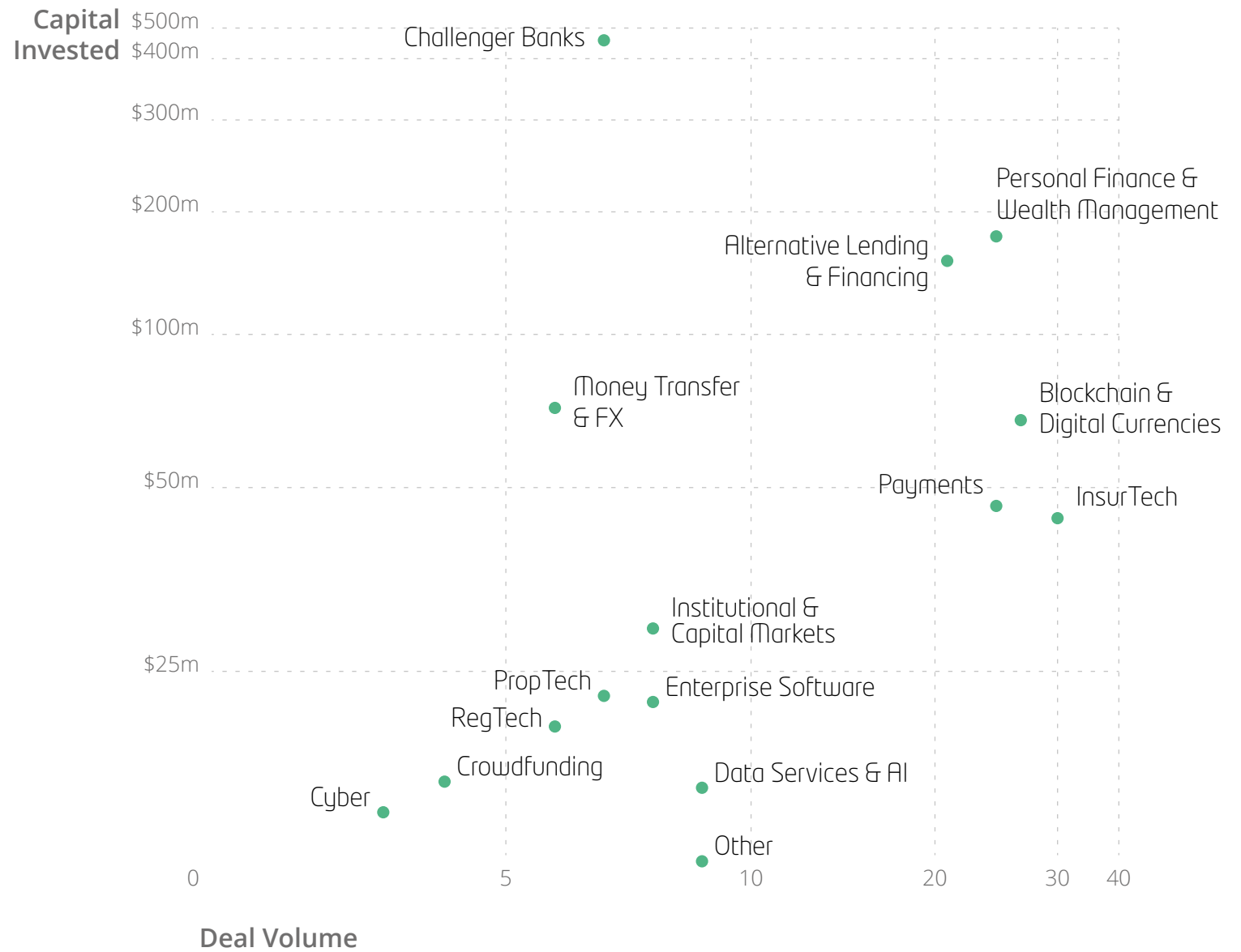
Growth investment in UK FinTech led by private equity rose 57% to \$1.6 billion. Over the last five years, this reflects a growing trend with a 12x increase in investment and 5x increase in deal volume by PE led investors.





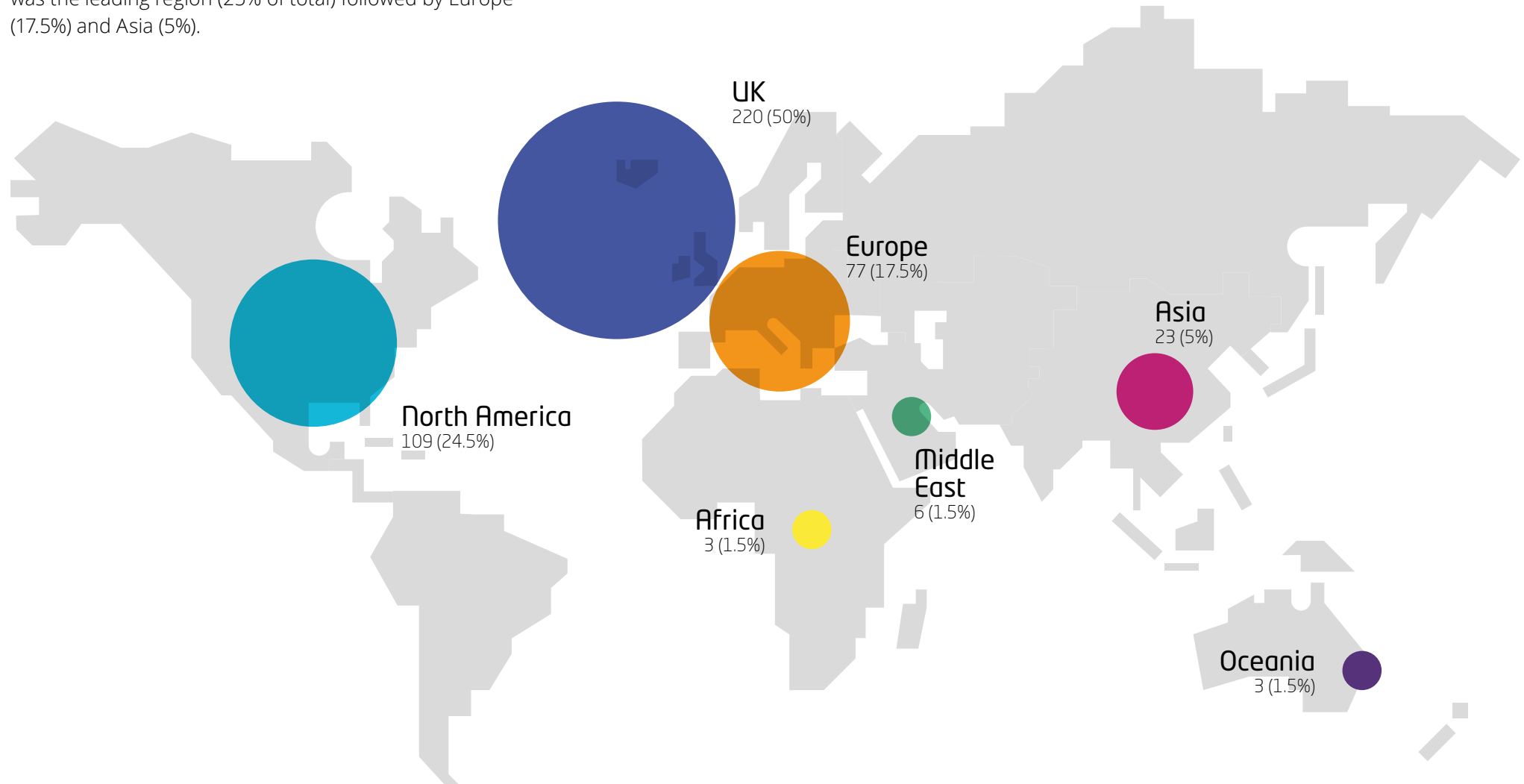
# UK FinTech VC Investment Sector Analysis

Sector	Capital Invested (\$M)	Deals
Alternative Lending & Financing	306.64	23
Blockchain & Digital Currencies	174.67	27
Challenger Banks	461.43	7
Crowdfunding	13.14	4
Cyber Security	9.02	3
Data Services & AI	18.24	11
Enterprise Software	51.85	7
Institutional & Capital Markets	53.74	9
InsurTech	103.12	29
Money Transfer & FX	59.35	5
Payments	106.49	23
Personal Finance & Wealth Management	333.61	26
PropTech	22.29	7
RegTech	24.49	10
Other	0.2	5

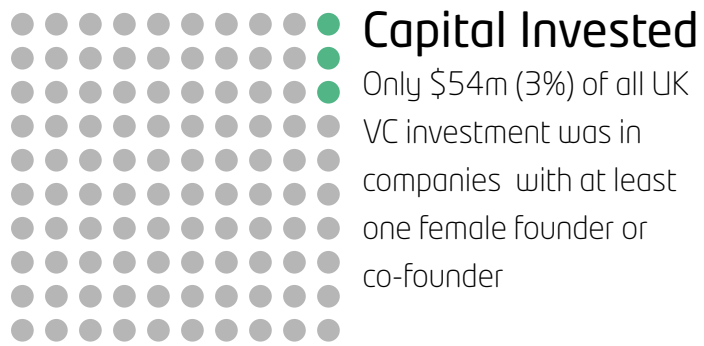
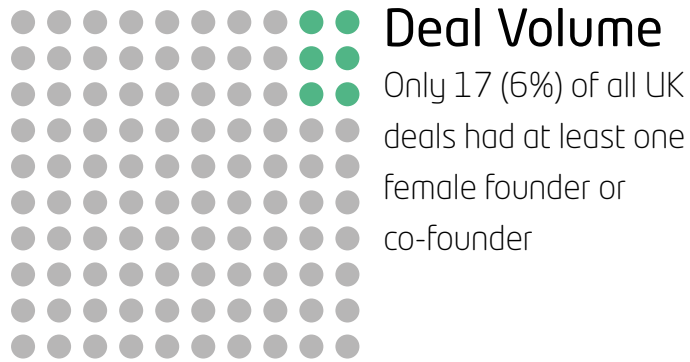


# UK FinTech VC Investment Investor HQ Analysis

Half of investment into the United Kingdom was led by overseas investors in 2018 (by deal volume). North America was the leading region (25% of total) followed by Europe (17.5%) and Asia (5%).

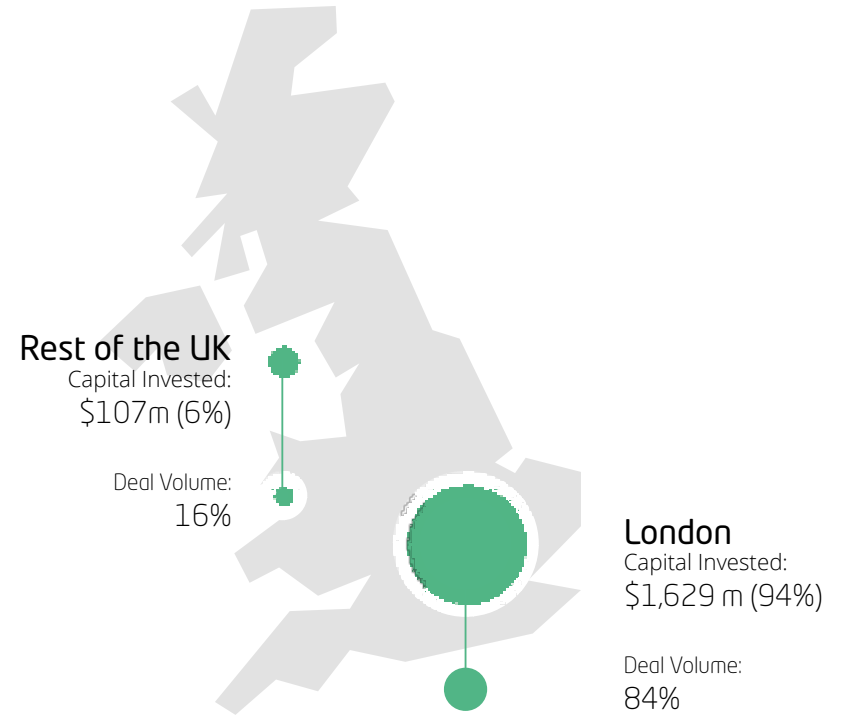


# UK FinTech VC Investment Female Founders



# UK FinTech VC Investment Regional Funding

London remains the centre of gravity for venture capital investment into FinTech in the United Kingdom, with over 90% of total capital invested and over 80% of deals in London-based companies.



“We must focus on growing our talent and capital pipeline across the UK to grow sustainably and inclusively in the future.”

– Charlotte Crosswell, CEO, Innovate Finance

# INNOVATE FINANCE

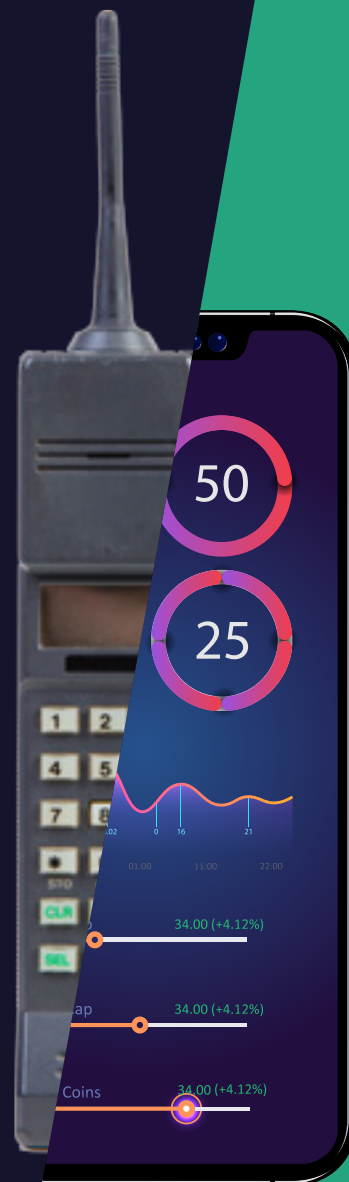
## THE FUTURE IS CALLING FINTECH IS THE ANSWER

Be enlightened, become a member of the UK's independent membership association for FinTech.

Join over 200 forward-thinking FinTech companies and leading global banks, to ensure your business is ready for the future.

Get exclusive access to our events and programmes, gain industry insight and policy support and let us share your story with the world.

To find out more about membership go to  
[www.innovatefinance.com](http://www.innovatefinance.com)



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Prominent mentions and thanks also go to Fred Raybould on the branding and design as well as Maria Beketova on research.

## Research Notes

Research data provided by PitchBook as of 10th January 2019.

FinTech covers PitchBook vertical “FinTech” as well as industry “Financial Software”. Venture Capital deal value figures include the deal types Angel, Accelerator / Incubator, VC (all rounds and series) less any debt. Private Equity deal data includes only Growth/Expansion and Private Secondary Transactions.

Deal value figures include all deals completed or announced (verified to press releases) in 2018. Deal volume figures include deals without a disclosed deal value. UK VC deal value represents investment into FinTech companies which are head-quartered in the UK.

Country rankings and top deal profiles reflect all deals completed or announced (verified to press releases). UK FinTech Vertical analysis excludes any deals without size. UK regional analysis excludes any deals without size or location reported.

## UK FinTech Verticals Glossary:

**Alternative Lending & Financing** – P2P lending, invoice financing, SME financing, e-lending platforms, retail lending, and credit scoring.

**Institutional & Capital Markets** – B2B solutions for financial institutions (e.g. banks, hedge funds and other institutional investors) including innovations within capital market activities.

**Challenger Banks** – new digital banks that are challenging the large established High Street banks.

**Crowdfunding** – platforms that allow investment for projects / companies / equity.

**Cyber Security** - technology designed to protect companies infrastructure from attack, damage or unauthorised access.

**Data Services & AI** – analysis of data within the financial industry to support data driven decisions as well as technologies based on AI and ML.

**Blockchain & Digital Currencies** – digital ledger technology, including platforms built on blockchain or around transactions made in bitcoin or digital currency and recorded chronologically and publicly.

**Enterprise Software** – financial software solutions for enterprises.

**InsurTech** – technology applied to the insurance industry.

**Money Transfer & FX** – money transfer, international remittance & currency conversion.

**Payments** – innovation in payments, including cashless, online / ecommerce, mobile, B2B, merchant / POS, wallets, P2P, recurring.

**RegTech** – technology applied to resolve issues regarding regulation within the financial industry

**Personal Finance & Wealth Management** – platforms focused on retail customers with innovation within pensions, savings, personal financial management, investment platforms and management of personal assets and investments (e.g. robo-advisors).

**Prop-tech** – technology used to disrupt the property industry, including mortgages and investment.

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