



London
Stock Exchange Group

FINTECH COMES OF AGE

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Introduction

This time last year we published our landmark *Finance for Fintech* report in partnership with TheCityUK. The research, conducted among more than 400 fintech companies in eight countries, highlighted the international growth ambitions of fintechs. It showed that 85% of fintechs expected to raise money on public markets within the next three years, highlighting London as one of the top three listing destinations and the UK as one of top three markets in which they already operate or intend to expand.

We have witnessed a surge of fintech issuances including Britain's largest peer-to-peer lender. Last year, Funding Circle raised over \$500m equity in its landmark transaction on London's Main Market; TruFin was the largest fintech to IPO on AIM; and IntegraFin, the UK's first B2B wrap platform, listed on the Premium Segment of the Main Market and is now worth in excess of \$1.5bn. In 2017, Beeks Financial Cloud was the first financial cloud firm to IPO on AIM. Since 2017, fintech equity listings raised approximately \$4.2bn on London Stock Exchange markets.

Our insights tell us that 2019 will be the year in which fintech truly comes of age. During the month of April 2019, payments company Network International achieved its record IPO raising in excess of \$1.4bn on London Stock Exchange as the largest ever technology or fintech IPO from Middle East and Africa to list on a global exchange. Nexi, the global payments firm, then followed, successfully raising more than \$2.3bn on Borsa Italiana, the Milan-based exchange operated by London Stock Exchange Group.

With new rules of open banking, we envision more growth and opportunity for fintech in 2019 with innovation in areas such as personalisation, cost efficiency, increased trust and financial inclusion. Availability of 5G will contribute to the hyper-connectivity of the internet of things, supporting the ambitions for smart cities, artificial intelligence, machine learning, and distributed ledger technology including blockchain.

The FCA's regulatory sandbox leads the world in enabling fintechs to test their innovations. The FCA announced on 29 April 2019 the next list of firms to feature in its fifth sandbox cohort, including London Stock Exchange Group. Our test, alongside Nivaura and select market participants, will integrate distributed ledger technology within LSEG-operated listing and trading venues to test market infrastructure for the issuance, admission and trading of equity securities, evidencing change of beneficial ownership.

Financial centres thrive on interconnectivity, and to this end, LSEG's initiative for ambitious, private companies, ELITE, has grown to serve over 1,100 companies from 42 countries since its 2012 launch in Italy. Of these ELITE firms, fintech LendInvest issued retail bonds in two tranches, and four more fintechs – Beeks Financial Cloud, Integrafin, I-nexus, and SimplyBiz – have successfully completed IPOs on our markets.

London has become a global hub for fintech. It is the ideal listing destination for fast-growing companies to increase visibility with customers and suppliers and where long-term institutional investors are seeing growth opportunities in the fintech sector. Investors appreciate the strong governance standards and robust legal and regulatory environment. Together, these factors contribute to the strong community and depth of experience for the increasing numbers of fintech firms that are present here.

Fintechs remain ambitious to grow and London is maintaining its role as the crucible of global fintech. At London Stock Exchange Group, we help fintech companies to grow their customer base, through innovations like our Marketplace via LSEGIssuerServices.com, and we bring together participants across the value chain to host thought leadership events such as our Masterclasses in Cyber and Communications. In May 2019, it is our privilege to convene our fourth Fintech Investor Forum.

Thank you for reading, and we extend our appreciation to the many leading players from the sector contributing their insights to make this special report.



Dr Robert Barnes
Chartered FCSI
Global Head of Primary
Markets and CEO of
Turquoise, London
Stock Exchange Group

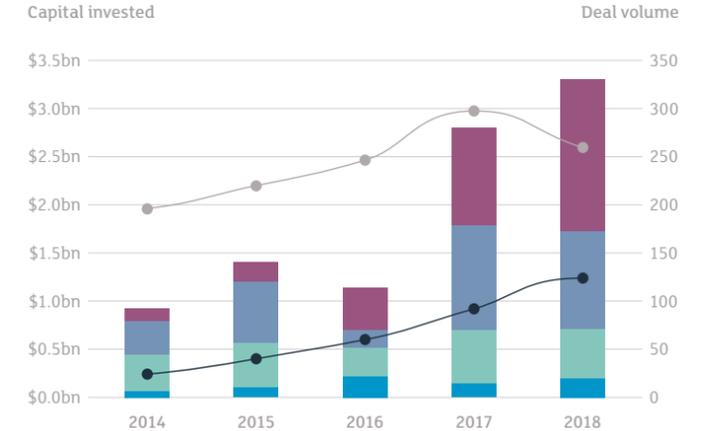
Fintech by numbers

London's fintech surge – more than \$4.2bn has been raised by fintech companies on London's markets in a spate of listings from 2017 to date. This trend is expected to remain strong in the future.

COMPANY	LISTING DATE	HIGHLIGHTS
Network International	10 April 2019	Digital payments solutions provider in Middle East and Africa. Largest ever MEA IPO on London Stock Exchange with \$1.6bn raised on the Main Market.
Funding Circle	28 September 2018	First British fintech unicorn to come to market. Largest London IPO of Q3.
Nucleus	26 July 2018	Fastest growing wrap platform in UK, raised \$42m on AIM.
IntegraFin Holdings	2 March 2018	UK's first B2B wrap platform, listed on the Premium Main Market and is now worth in excess of \$1.5bn.
TruFin	21 February 2018	Largest fintech company to list on AIM in 2018, raising \$97m.
Augmentum Fintech	13 March 2018	Fintech-focused fund, raised \$130m on the Main Market.
Beeks Financial Cloud	27 November 2017	First Financial Cloud firm to list in London.
Boku	20 November 2017	Backed by Andreessen Horowitz, NEA, Khosla Ventures and Index Ventures. Chose AIM as NASDAQ would not offer same growth potential.

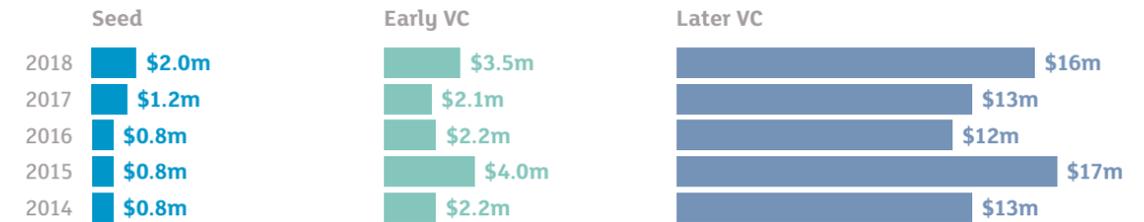
Investment in the UK fintech sector rose to a record \$3.3bn in 2018, up 18% year-on-year

Deal Volume	2014	2015	2016	2017	2018	YOY	5YR
VC	197	220	247	298	261	-12%	32%
PE	6	10	15	23	31	35%	417%
Capital Invested (\$m)	929	1,275	1,150	2,810	3,319	18%	257%
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%



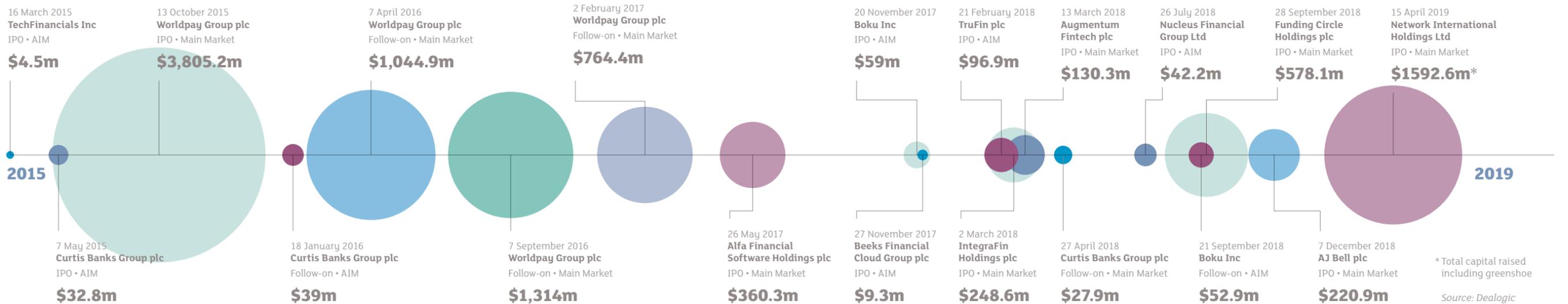
Source: Innovate Finance

Capital invested in seed, early VC, and later VC rounds has been steadily increasing over the last five years



Source: Innovate Finance

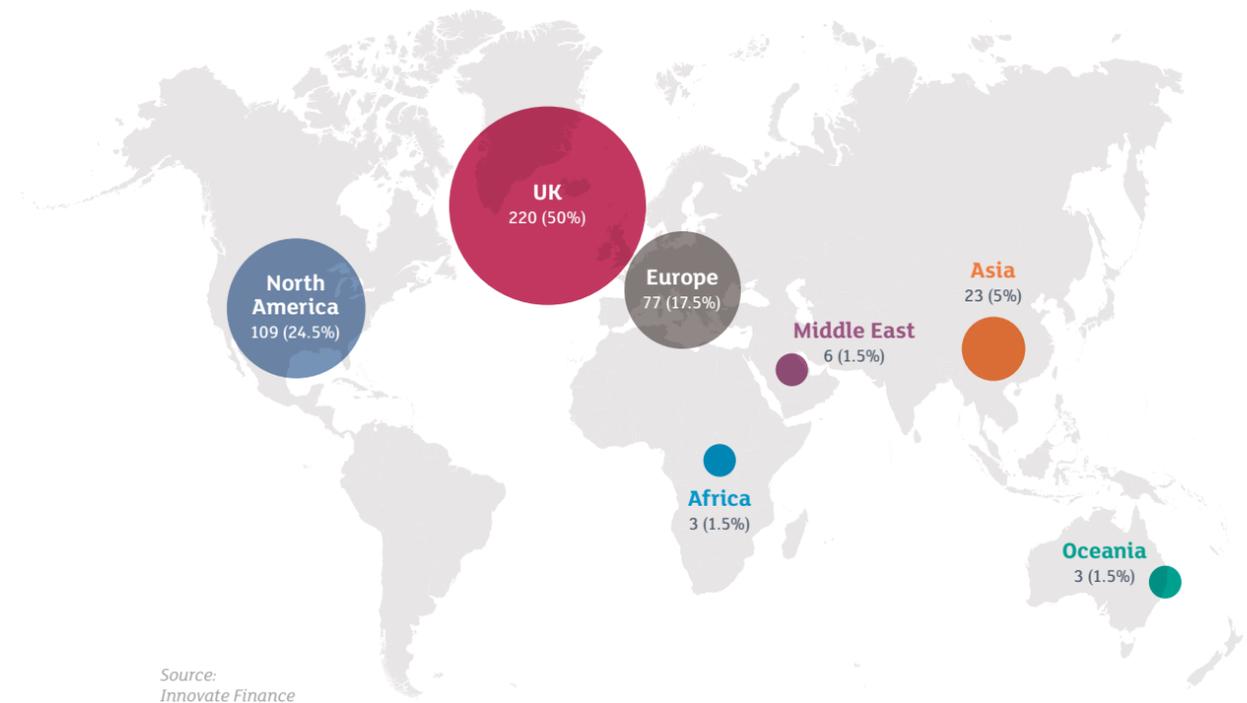
London's fintech surge – the increase in the number of fintech IPOs on the London Stock Exchange markets since 2015



* Total capital raised including greenshoe

Source: Dealogic

Half of the VC and private equity investment into UK fintech was led by overseas investors in 2018



100+

London issuers operate in over 100 countries around the world

38%

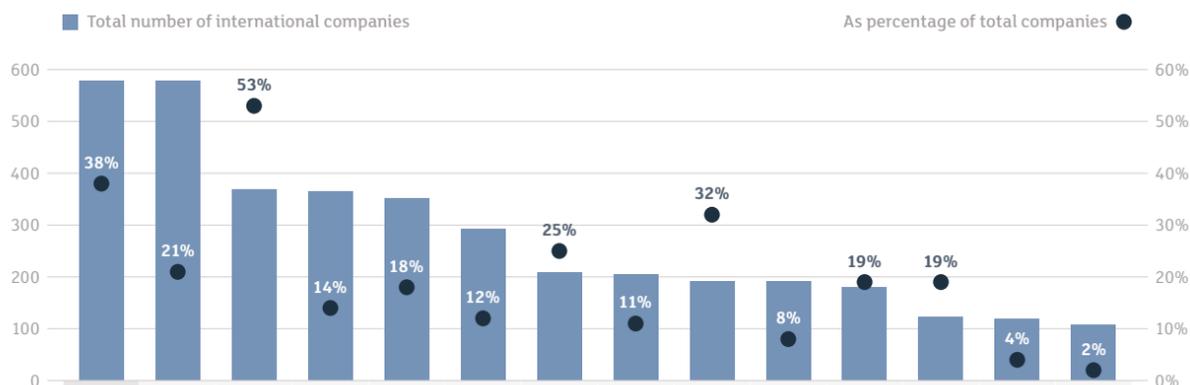
of listed companies on London are international

3 of 5

of the top London IPOs in 2018 were international

Source: FactSet, April 2019

The home of international issuers: more companies choose London Stock Exchange for listing than any other exchange



	LSE	Toronto	SGX	Nasdaq	ASX	HKSE	Euronext Paris	NYSE	Stockholm	Korea Exchange	Taiwan SE	Frankfurt	JPX	Bombay
INTERNATIONAL	579	579	381	365	352	292	208	205	191	191	180	123	119	107
DOMESTIC	937	2204	341	2179	1565	2056*	633	1722	409	2128	774	535	2896	4404

* 1402 (60%) of HKSE companies are Chinese. Exchanges with fewer than 250 companies listed are excluded. International companies are those where the country of primary business of a company is not equal to the country of its primary listing. Our country of primary business methodology uses FactSet data and takes into account the country of largest revenue exposure, headquarters and incorporation.

Viewpoints

We asked a number of major players in the fintech ecosystem for their views of the key future trends.

OUTLOOK FOR 2019

Expansion, disruption and competition are the defining themes of our respondents' outlook for 2019. The race is most definitely on.

"It will be the year when more digital banks and platforms come of age, driving more competition between traditional high street banks and amongst themselves," said one leading fintech. "Big banks will start stepping up and competing with the challengers," said one investor.

As there had been "a concentration of investment" into challenger banks and alternative lending and financing platforms in 2018, noted one investor, the disruption of traditional financial services sectors would continue and would be driven in 2019 by factors such as open banking and the growth of the regtech and insurtech segments.

But it is also predicted that competition will make the environment harder. "The category leaders will thrive, but for many, competing with these players, banks and mainstream financial institutions will become increasingly challenging," said one fintech.

It will also be the year that fintech is recognised as "one of the key drivers of financial inclusion and financial wellness and will bring even more of the population into accessible financial services," noted the trade association Innovate Finance. It also sounded a note of caution: "there will be a continued squeeze on talent, with less people entering the market from overseas, which, coupled with increasing demand for more specialised roles, will exacerbate the talent gap. At Innovate Finance, supporting talent, skills and diversity in fintech is a key priority for 2019."



"2019 is the year when fintech is no longer a start-up category but a mainstream theme in every major financial institution in the world."

Check Warner
Co-Founder and CEO, Diversity VC



"We will continue to see category winners from the more established fintech names."

Christian Faes
Co-Founder and Chief Executive, LendInvest





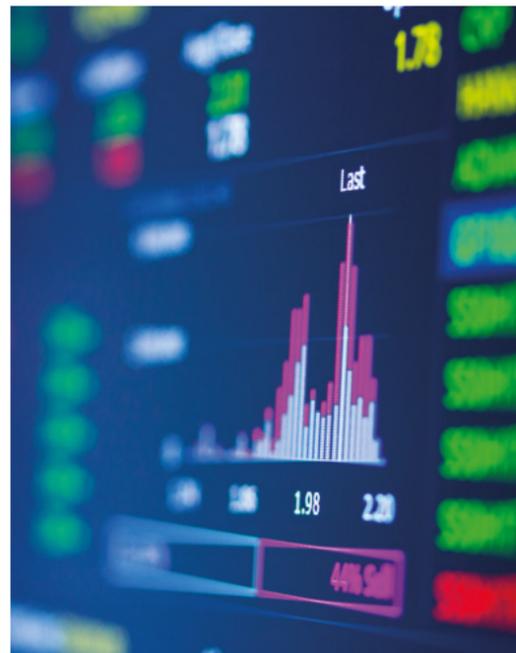
INVESTMENT

Despite the climate of political uncertainty, investment in the UK fintech sector remained strong. According to the 2018 Innovate Finance FinTech VC Investment Landscape Report, private investment rose to a record \$3.3bn in 2018, a year-on-year increase of 18%. In public markets, fintech companies raised \$1.4bn in total equity capital from the London markets in 2018 – a 17% increase from 2017.

“The UK’s fintech sector kept its position as a world leader, ranking third globally in terms of venture capital invested behind China and the US,” said Innovate Finance, adding that general investor sentiment remained positive and further inflows were anticipated from M&A activity, corporate venture capital and principal investments.

“I have no doubt that more capital will be attracted to the sector over the coming year,” said one investor. “Whether it’s corporate money, institutional capital, sovereign wealth, in addition to VC, there is a strong belief that the opportunity in fintech has only just begun.”

“To attract the long-term, supportive capital that will allow the sector to continue to grow, it is important for companies to demonstrate their sustainability as a business, and their route to eventual profitability,” said one fintech.



“The maturing UK fintech ecosystem has remained attractive to investors and the average deal size has grown significantly over the last year. The UK has reinforced its position as a leading hub of global finance and technology, accounting for half of Europe’s top fintech VC deals.”

Tim Levene
CEO, Augmentum Fintech plc

FUTURE GROWTH & ADOPTION



The strength of the ecosystem, a positive regulatory environment and strong government support have all been powerful factors in the UK’s global leadership in fintech. Our respondents applauded many initiatives, such as the launch of the Treasury’s Fintech Sector Strategy and the convening of an All Party Parliamentary Group on Fintech.

The UK fintech sector is currently thriving and ambitious and has an outstanding global reputation. However, our respondents emphasised the need to guard against complacency, and the importance of collaboration among all players in the ecosystem to ensure the UK remains a compelling international fintech hub.

“The FCA’s regulatory sandbox is a good example of an initiative that promotes innovation and creativity,” said one fintech company.

Another highlighted that “the UK needs to ensure that, regardless of our next steps politically, the country remains an open and effective environment for fintech businesses to grow and continue to attract the best talent from across the globe.”

Consumer attitudes have remained positive, with another fintech saying that “despite ongoing political and economic upheaval, consumers are continuing to welcome new players in the field.”

Our contributors identified a number of further opportunities for growth. “We are seeing some early signs of how open banking is powering technologies to help address some of society’s issues, in particular in the debt advice area,” said Innovate Finance. “There is also strong interest in Parliament to understand and support fintech growth, particularly as a means to deliver new and improved outcomes for consumers and small businesses.”

Education and increased transparency around processes were key to driving innovations such as open banking, said one fintech, because “the adoption of new initiatives that involve customer’s personal data, particularly banking information, will naturally be met with some resistance from a sceptical public.”

One investor believed there was scope to improve “the levels of service and the range and quality of the offerings for SMEs.” Another saw potential in making private wealth management “digitally native and fit for purpose for the millennial consumer,” and for targeting groups of customers “that have previously been overlooked – whether that’s micro businesses or diverse communities.”

“The UK has to date taken a proactive lead in open banking and is internationally recognised as having set a gold standard in its establishment.”

Charlotte Crosswell
CEO, Innovate Finance



“We must ensure that the regulation of our sector remains balanced and we continue to attract the world’s best technical talent.”

James Meekings
UK Managing Director and Co-Founder, Funding Circle



Case studies

London is the home of fintech IPOs



BEEKS FINANCIAL CLOUD

Beeks Financial Cloud, which has grown rapidly since its inception in 2011, is a technology company serving the financial sector. “We are as fintech as you get,” says its CEO Gordon McArthur. Its ‘infrastructure as a service’ offer of cloud computing and secure, fast connectivity to enable same-day trading is proving increasingly attractive to a growing number of financial asset classes.

Geographic expansion is central to its growth and from the outset McArthur was certain that AIM was

his preferred route for external funding. “We needed a greater profile, which the public markets gave us. We are seeking to grow our international footprint and to build our business with global financial institutions; the credibility of being listed on the world’s most international stock market was very important. The public markets would provide us with the opportunity to raise additional finance for future acquisitions but the management team was able to retain its majority stake in the business.”

The company floated on AIM and raised \$9.3m; it was the first financial cloud firm to list in London. Since its IPO, its market capitalisation has more than doubled.

It has been a positive experience. “We are realising the expected benefits,” says McArthur. And there has been an unforeseen advantage. The higher calibre of staff that Beeks is now able to attract is “night and day” from its years as a private company, McArthur observes. “The calibre of candidates for recruitment has increased hugely. It has given us access to people that we would not previously have attracted – from their own career progression point of view, we are now an attractive business to work for.”

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Gordon McArthur
CEO, Beeks Financial Cloud



BOKU

Founded in 2009, Boku has become the world’s leading independent direct carrier billing network, with corporate customers including Apple, Google, Facebook, Spotify and Microsoft.

Although a US-incorporated global financial technology company, it chose to float in London on AIM rather than in the US. For Jon Prideaux, CEO of Boku, it was a matter of scale, understanding and market appetite.

“Coming to the public markets seemed the best way to balance the interests of various stakeholders,” says Prideaux, “but we were not really big enough for a NASDAQ float. We thought we would not get the coverage and would stand out more in London. There was a level of understanding in the London market and appetite from investors.”

The company decided to float on AIM with the dual goal of realising value for existing financial backers and supporting future growth. Boku’s existing venture capital investors – such as Andreessen Horowitz, Index Ventures, Khosla Ventures and NEA – understood the logic of floating on AIM.

Prideaux describes the AIM investor roadshow process as “unbelievably efficient. Within two weeks

you can see 70 institutions, basically all on foot. That’s absolutely not the case when you are trying to raise private money.”

Boku’s 2017 IPO on AIM raised \$59m. Around two-thirds of this was passed to existing investors, while the rest being used by Boku to improve working capital and for business expansion. The company’s market capitalisation has increased significantly since IPO, and a roster of international institutional investors such as River & Mercantile and Legal & General are investing in its growth.

“Coming to the public markets seemed the best way to balance the interests of various stakeholders ... There was a level of understanding in the London market and appetite from investors.”

Jon Prideaux
CEO, Boku



FUNDING CIRCLE

Launched in 2010, Funding Circle Holdings plc is the leading small and medium enterprise loans platform in the UK, US, Germany and the Netherlands, and is the market leader in each of these geographies.

Funding Circle listed in order to enhance its balance sheet position, specifically, to further engender trust with investors, borrowers and regulators, support the group in pursuing growth and to provide strategic flexibility.

In September 2018 Funding Circle raised \$578m on the Premium segment of the Main Market; \$185m was sell-down by existing shareholders and the company raised \$393m in primary proceeds to fund expansion and continue to grow top-line revenues. It was the largest IPO on London Stock Exchange in the third quarter of 2018.

“We have always believed Funding Circle would be well-suited to the public markets and the listing on London Stock Exchange is recognition of the strength and global impact of our model,” says CEO and Co-Founder Samir Desai.



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Samir Desai
CEO and Co-Founder, Funding Circle



NETWORK INTERNATIONAL

Network International, a leading enabler of digital commerce across the Middle East & Africa (MEA), has raised \$1.4bn by listing on the Premium segment of the Main Market. The IPO valued the company at over \$2.8bn and is the largest MEA IPO listed on any exchange globally since 2014.

The listing is also the largest ever technology IPO from a MEA-based firm globally and the largest technology company to list on London Stock Exchange since 2015.

“I am confident that Network International is extremely well positioned for future growth with unique scale in the world’s most under-penetrated payments markets,” said Simon Haslam, CEO of Network International.

“The Middle East and Africa are at an early stage in the shift from cash to digital payments and our new listing on London Stock Exchange will enable all new shareholders to benefit from this structural growth opportunity.”



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Simon Haslam
CEO, Network International



Conclusion



James Clark
Head of Tech & Lifesciences, Primary Markets, London Stock Exchange Group

London is a natural home for fintech. It offers the richest possible environment in which to start, test, grow and finance a fintech business.

Many factors contribute to this: the UK's financial services experience, a world-leading regulator, strong and supportive policy makers, a deep and wide pool of technical expertise and creativity – and access to capital with a global focus.

In our 2018 *Finance for Fintech* report, we found that the intention to list on a public market was a high priority for many fintech companies around the world. The UK was identified as one of the top three markets, alongside the USA and China, where the world's fintechs would consider listing equity or issuing public debt.

The surge of IPOs over the past two years has confirmed London as a leading international financial centre for raising capital for global fintech businesses.

Fintech businesses list everywhere and institutional investors are not bound by national borders – just like the fintech companies in which they invest.

London is the most international market and has the most diverse investor base of any major global exchange. This enables fintech issuers to tap into a pool of capital that is comfortable with companies who build internationally facing business models. International shareholders represent almost half the ownership in UK stocks with North American shareholders alone owning approximately 30%.

At the heart of UK's financial ecosystem, London Stock Exchange is the natural funding partner to a sector that is reshaping the global financial services landscape.



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