



**Peel Hunt  
Annual Investment  
Companies Conference**

November 2019

# Video

The fintech investment opportunity



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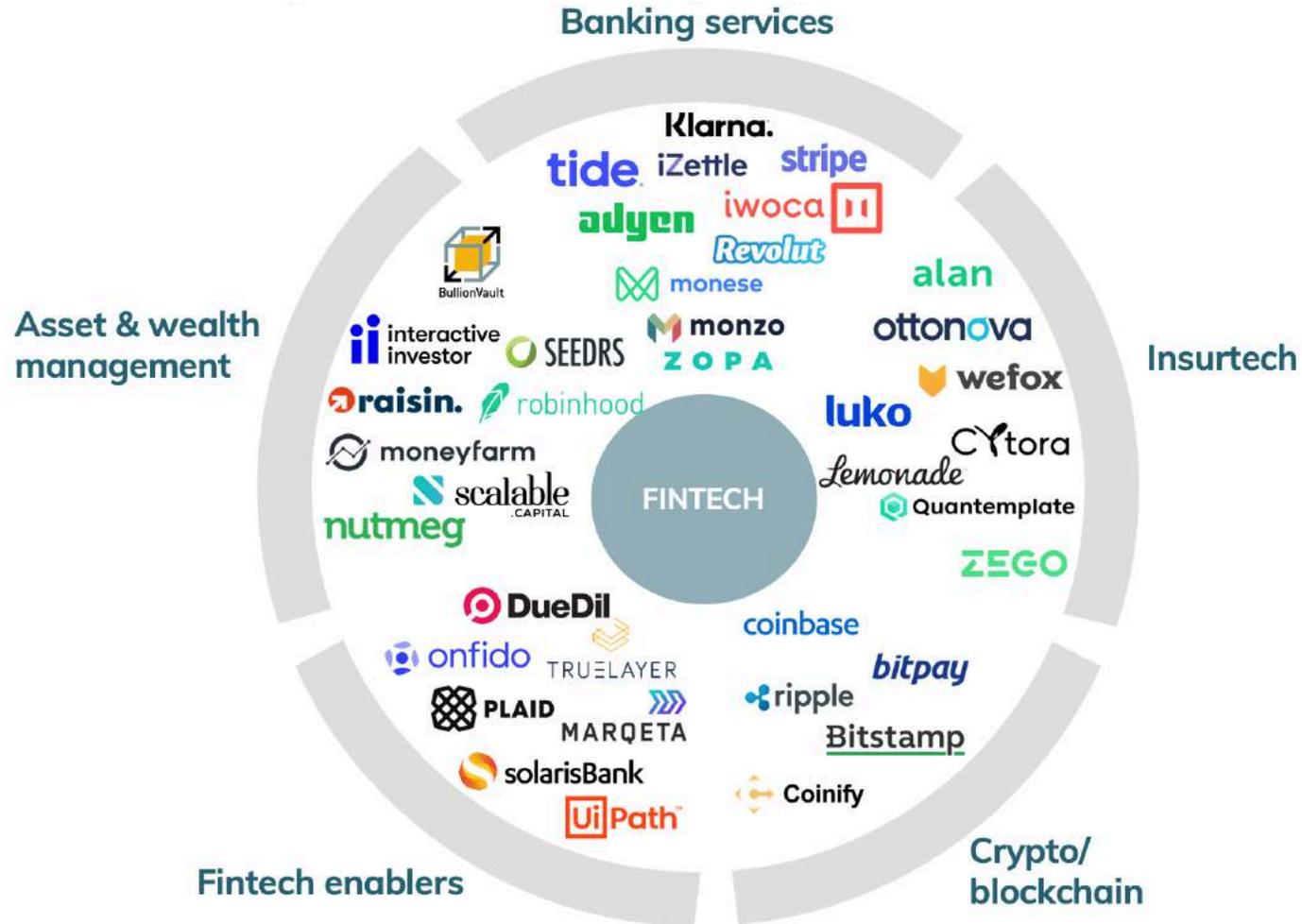
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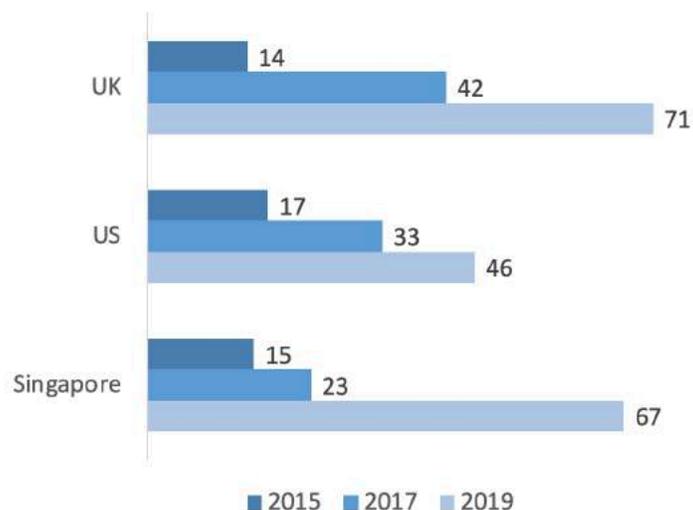
# Fintech is transforming the global financial services landscape (1)



# Fintech is transforming the global financial services landscape (2)

## Global fintech adoption is rising, led by the UK...

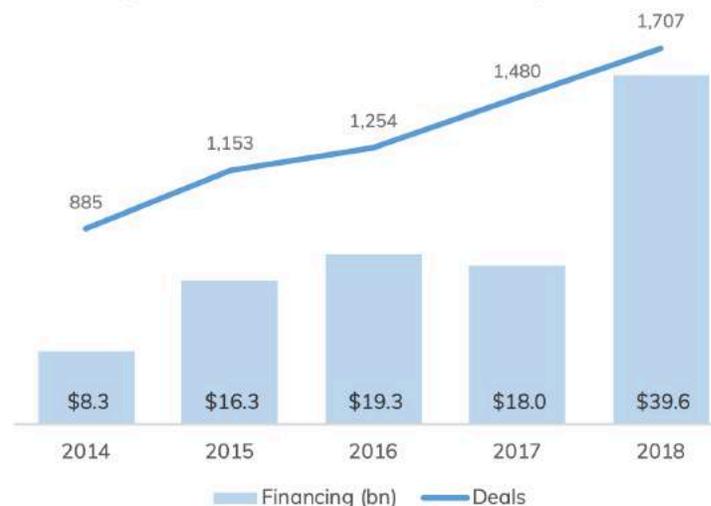
Fintech adoption from 2015-2019 (%)



Source: EY Global FinTech Adoption Index 2019

## ...along with investment.

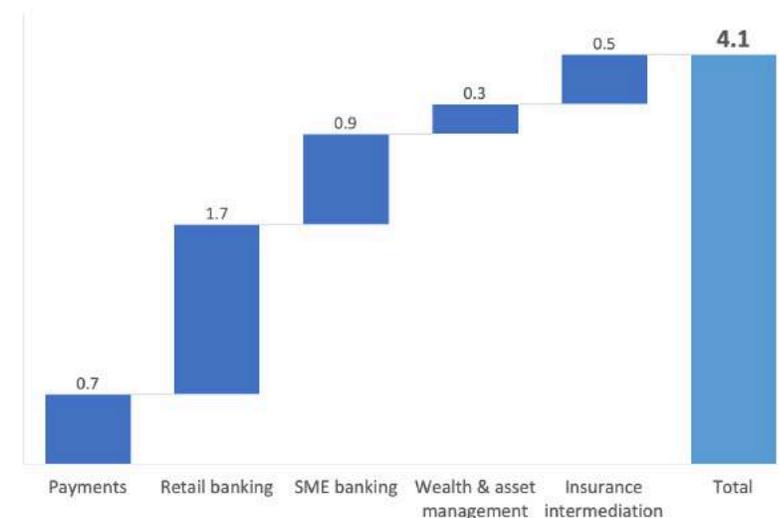
Annual global fintech deals and financing, 2014-2018



Source: CB Insights

## The opportunity is significant

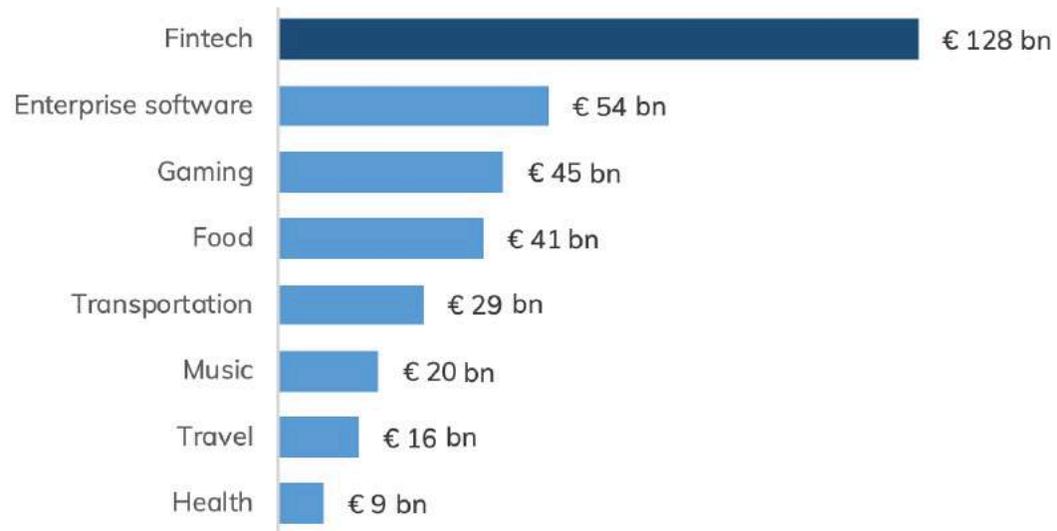
Total addressable market, annual revenue (\$ trillion)



Source: McKinsey Global Banking Annual Review 2018; McKinsey Beyond Banking 2019; McKinsey 2019 Global Insurance

# The value of European fintech dwarfs other sectors

## Total value of European \$1bn+ exits since 2013



Source: Dealroom.co. Data combines value of realized \$1bn+ exits and current unrealized \$1bn+ startups

## Key European fintech deal highlights

**adyen**

\$8.3bn  
Valuation at IPO

**checkout.com**

\$230m  
Series A raise

**WorldRemit**

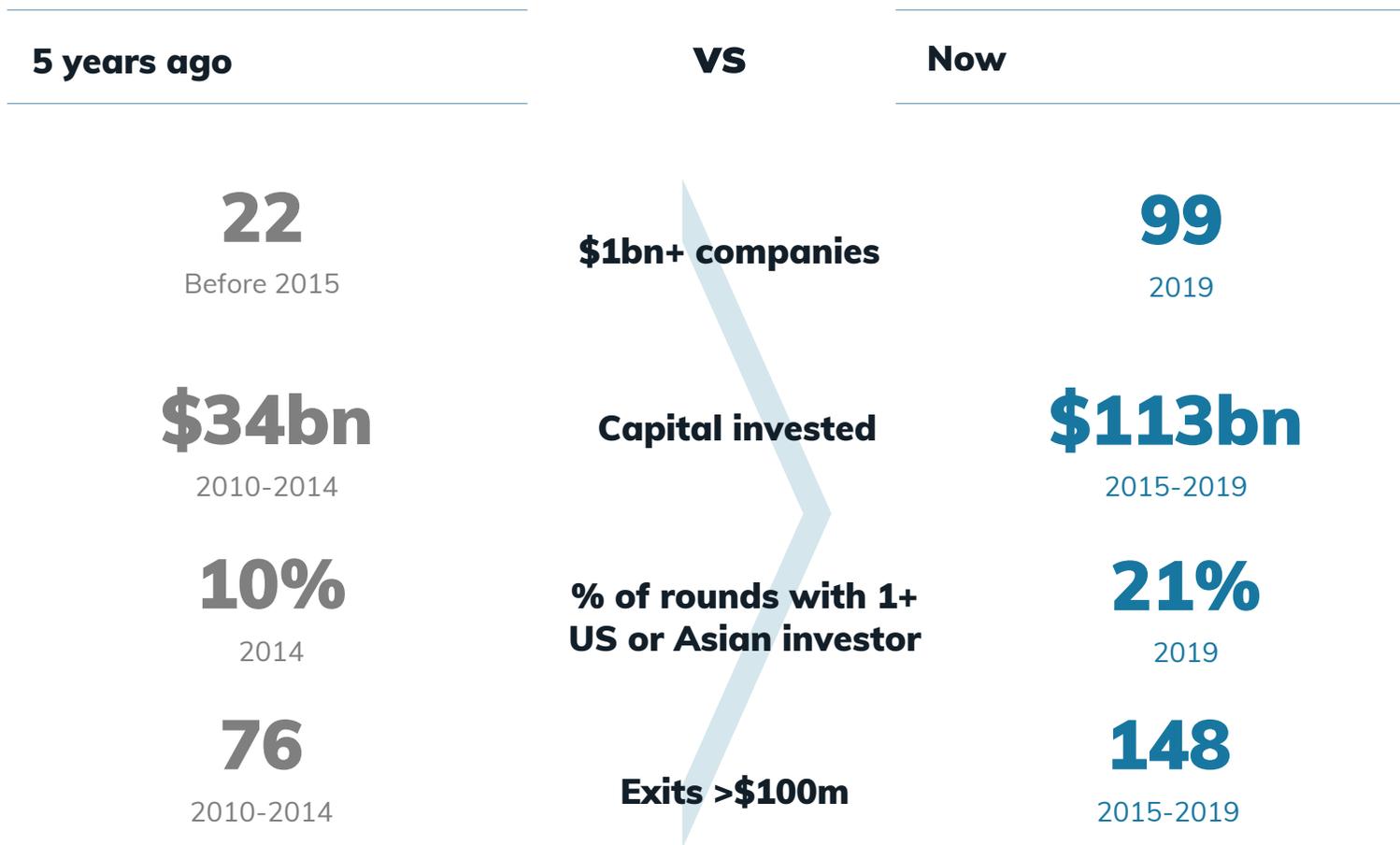
\$175m  
Series D raise

**iZettle**

\$2.2bn  
Acquisition  
by PayPal



# The European tech ecosystem has evolved significantly in recent years



Source: Atomico State of European Tech 2019

# Europe's technology talent is highly competitive on a global scale

...despite significantly lower levels of venture capital investment per capita compared to the US

	Europe	US
# Professional coders	6.1m	4.3m
Graduating STEM PhDs	59k	28k
Global top 100 AI institutions	32	30
VC per capita	€30	\$250

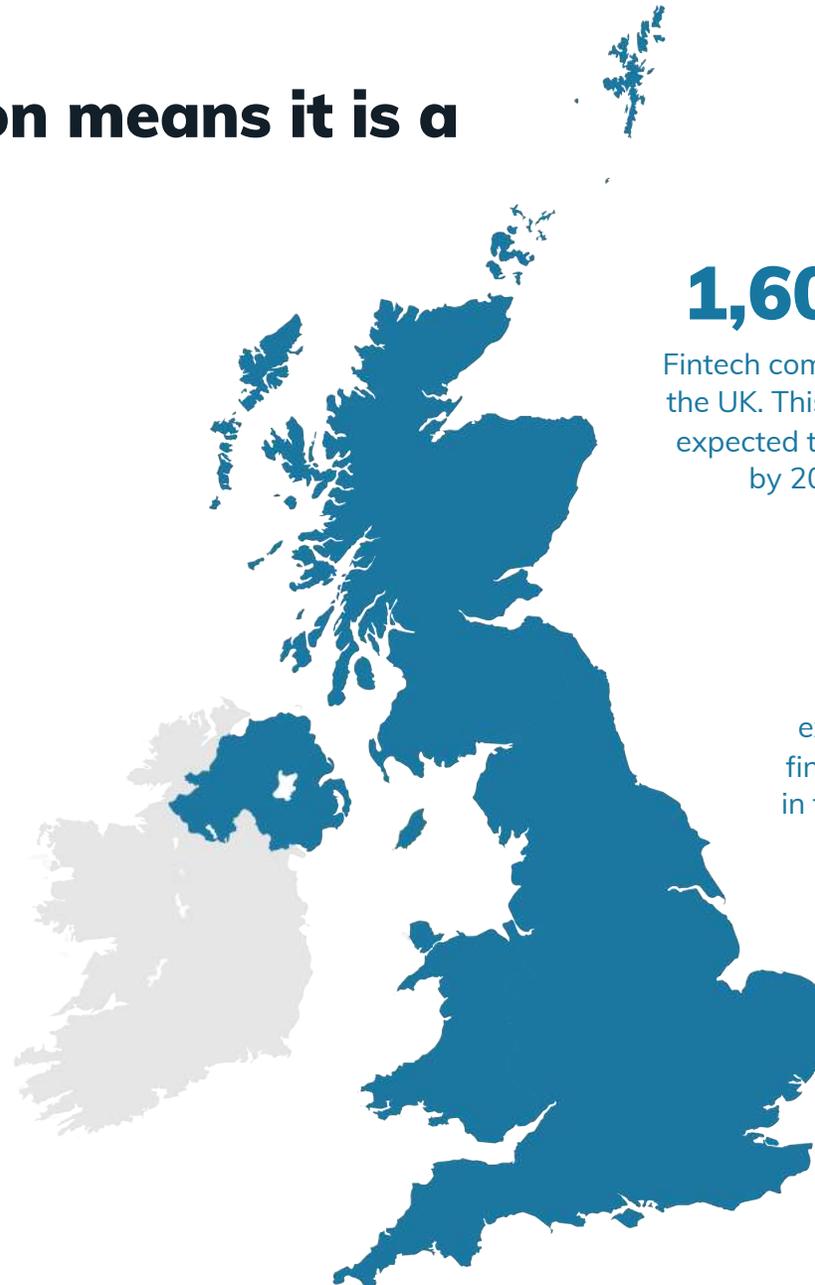
Source: Atomico The State of European Tech 2019

# The UK's unique position means it is a global fintech leader

Financial services heritage

Technology talent

Regulatory environment



**£16bn**

Investment activity in the UK (inc. VC, PE, CVC and M&A) reached £16bn in 2018), more than half of the £29bn from across Europe and over 20% of the global activity

**1,600+**

Fintech companies in the UK. This figure is expected to double by 2030

**\$3.3bn**

VC, PE and CVC investments into UK fintech in 2018

**82%**

...of incumbents expect to increase fintech partnerships in the next 3-5 years

**£6.6bn**

Revenue generated by UK fintech companies (2019)

# Public markets face an existential crisis if de-equitisation continues

The trend is towards the bulk of a company's value being generated prior to public exit

	Time to liquidity	IPO valuation (\$Bn)		Current Valuation (\$Bn)	Public Return
<b>Past...</b>					
	<b>3</b>	<b>\$0.4</b>	<b>&gt;</b>	<b>\$851.8</b>	<b>1983x</b>
<b>NETFLIX</b>	<b>5</b>	<b>\$0.3</b>		<b>\$117.1</b>	<b>378x</b>
	<b>3</b>	<b>\$0.7</b>		<b>\$31.7</b>	<b>44x</b>
<b>Present...</b>					
<b>facebook.</b>	<b>8</b>	<b>\$81.2</b>	<b>&gt;</b>	<b>\$513.1</b>	<b>6x</b>
<b>Uber</b>	<b>10</b>	<b>\$82.4</b>		<b>\$46.1</b>	<b>0.5x</b>
<b>adyen</b>	<b>12</b>	<b>\$8.3</b>		<b>\$19.7</b>	<b>2x</b>

# Augmentum Fintech plc

The UK's only publicly listed fintech fund



# What differentiates Augmentum?



## Listed structure

- Patient capital
- IRR driven
- Liquidity in VC investing
- Ability to scale capital rapidly
- Self-sustaining at scale
- Opens an emerging and hard to access asset class for institutional and retail investors
- Provides indirect exposure to public markets for portfolio companies



## Sector specialists

- Access to the most exciting deals
  - Extensive network
  - Proactive sourcing of deals
  - High conversion rate
- Deep sector knowledge
  - We can cut through the noise
  - Expertise across a variety of sub-sectors
- A team of operators
  - 80 years experience as tech entrepreneurs and tech investors
  - Engaged investors, typically with board oversight across each investee company



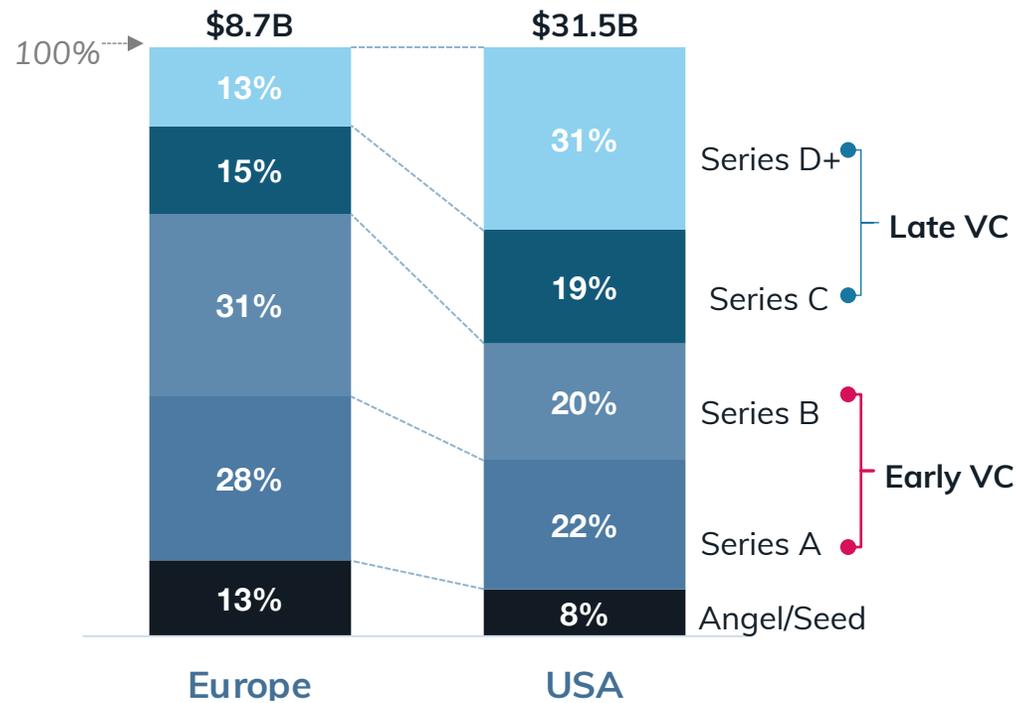
## European focus with UK bias

- We invest in Europe, where the fintech opportunity is still in its nascency
- ... and is being driven by the UK
- We target post-seed fintechs and leverage our permanent capital to follow-through all the way to exit

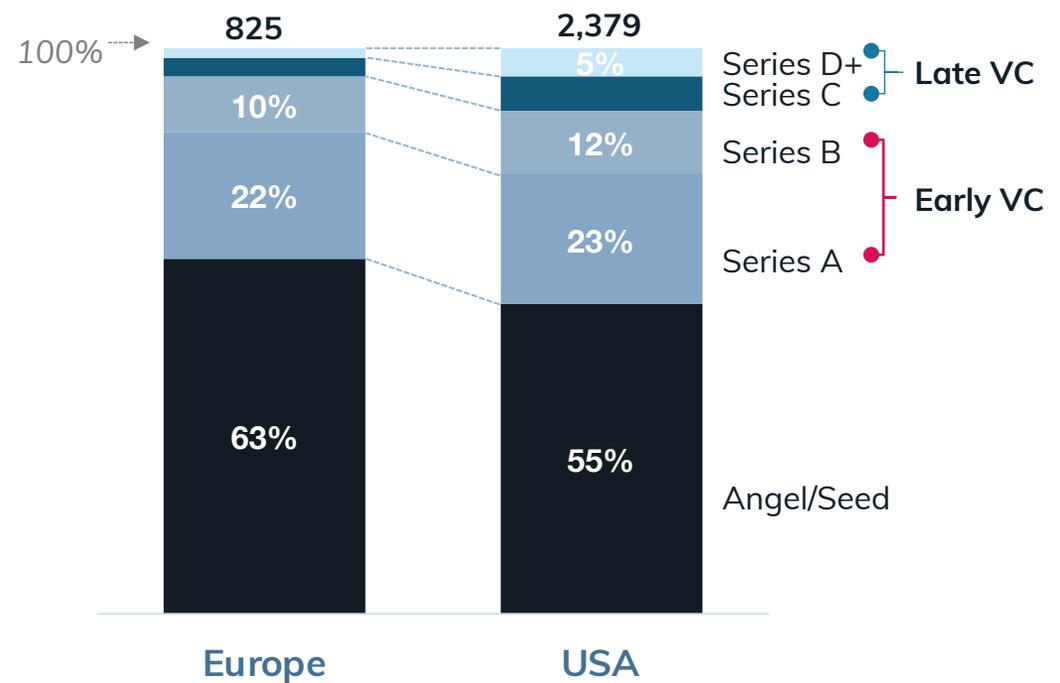
# Europe over-indexes on early stage investment

We are addressing the equity gap

Venture capital invested by stage (\$bn), 2018



Number of closed deals, 2018



Source: KPMG Venture Pulse 2019

# Augmentum: a unique proposition amongst European based VCs

**Independent**

**Fintech specialists**



 = Worldwide focus

 = European focus

 = UK focus

# A team of fintech experts

A well-networked management team involved in some of Europe's most attractive and compelling fintech businesses, with over 80 years of entrepreneurial, operational and investment experience

## Management team



## Advisory board



# Our profile continues to gain momentum

## The Daily Telegraph

Business

### Investment trust tip of the year: a basket of small stocks primed for rapid growth

Augmentum Fintech Close 08.4p

**Key numbers**

- Market value: £92.5m
- Year of listing: 2018
- Discount: 10%
- Dividend: 1.2p
- Dividend cover: 1.2x
- Most recent year's dividend: 1.2p
- Dividend yield: 1.3%
- Annual charge: 0.25%
- IPED Band: 1
- Estimate: 2.2p

Update Tetragon Financial

With banks and financial services providers, we see fintech's market share increasing exponentially from 2018. Augmentum is well placed to participate in this growth.

The trust currently trades at a discount of 10%. A trust that takes a selective approach to investing in fintech companies, such as Zopa, trades at a premium of about 20%.

Quarterly buy

Ticker: AUGM

Share price at close: 08.4p

It's not just a question of access to opportunities, however, it's vital to be discerning about which ones you actually invest in. The Augmentum team's recent suggestions that there are selective in its investments, including only those that have the greatest potential to generate multiples of invested capital, are indeed solid.

The portfolio currently has holdings in just that.

Private equity is the "next" to build a portfolio of opportunities in the number you get the investment and portfolio more than even when there are investments, said Augmentum Fintech.

"Given the depth of the fintech industry in the UK, Augmentum Fintech (AUGM), a leading venture capital investment group,

QUESTOR'S investment trust pick of the year, which we name today, aims to buy assets with the potential for "exponential" growth.

These assets are valued in "disruptive" ways by companies that have found new ways to offer financial services to consumers and business customers.

But it fits an investment strategy that focuses on finding the best of them to build Augmentum Fintech.

Readers may think such a "disruptive" approach is risky, and indeed it is. But the people behind the trust are hand-picked and experienced.

Although the fund itself started only in March last year, elements of its management team and its portfolio, the trust, have existed since 2018, and between that time and December 2019 returns were modest at about 15% a year. The trust was effectively spun out of BIT Capital Partners, a popular listed fund set up to manage the wealth of part of the North-Hill family.

A portfolio of listed fintech stocks partly created by BIT because the core of the new trust, while the British came about 2018, was being invested in similar opportunities.

The management team, led by Tim Latham and Richard Matthews, has decades of experience in private equity investing and as a result possesses the extensive networks of contacts needed to get access to the right potential investments.

"We have great confidence in this team," said Anthony Ludlum, an investment trust analyst at PwC. "The trust's investment strategy is to invest in fintech companies that have the potential to disrupt the financial services market."

Augmentum Fintech (AUGM) is a leading venture capital investment group.

John Glen MP @JohnGlenUK

As someone who entered politics because I believed in business and enterprise, and I wanted to see my country prosper, the enthusiasm I saw at @AugmentumF this morning is inspirational. This is here to support British #fintech the way 🇬🇧

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TEMPUS

OCTOBER 15 2019, 12:01AM, THE TIMES

## One to augment your share portfolio

MILES COSTELLO

Augmentum Fintech (AUGM) is a leading venture capital investment group.

## investors CHRONICLE

Simon Thompson January 31, 2019

### Bargain Shares 2019

Augmentum Fintech (AUGM)

Main: Share price: 10.2p

Bid-offer spread: 102.5-103p

Market value: £96.8m

Website: augmentum.fintech

Augmentum Fintech (AUGM), a leading venture capital investment group,

Portfolio offers strong investment prospects

Augmentum's starting portfolio of five holdings was valued at £23.3m at the fund's launch in March 2018, the largest of which is a stake in Zopa, the world's first – and Europe's leading – peer-to-peer (P2P) consumer lending platform. Zopa directly matches people looking for a competitive loan rate with investors looking for a higher rate of return, and has lent more than £2.7bn to low-risk UK borrowers since it was founded in 2004. Following closure of a £50m funding round for Zopa at the end of 2018, Augmentum's shareholding in the company has increased in value from £8.8m in March 2018 to £22m.

However, having recently acquired a UK banking licence, Zopa is on the way to launching a next-generation bank alongside its peer-to-peer business. At launch it will focus on credit cards, car finance, deposits and open banking in addition to personal loans and P2P investments. Augmentum offers a smart way of playing the fintech upside. It also offers a smart way of playing the upside in interactive investor (i), a leading UK investment platform offering analysis, tools and expert ideas to help investors make better informed investment decisions. It's award-winning trading platform provides access to an extensive choice of markets, instruments and currencies within making individual savings accounts (ISAs) and self-invested personal pensions (SIPs) accounts.

## Forget Bitcoin! I think this new investment trust could be far more rewarding

G A Chester | Thursday, 31st January, 2019 | More on: AUGM

## Promising start for new Fintech fund

By Nick Sudbury 11 December 2018 | 2 mins. to read

The London-listed investment company Augmentum Fintech (LON:AUGM) raised £94 million at its IPO in March and is making good progress towards building up a high

## AUGMENTUM FINTECH: The fund that chases down the fintech firms that could change our financial future

By CITY & FINANCE REPORTER FOR THE DAILY MAIL

PUBLISHED: 21:50, 26 April 2019 | UPDATED: 09:28, 27 April 2019

What is it?

The fund invests savers' money in a variety of fast-growing, privately owned financial technology businesses.

These so-called fintech firms, which investors wouldn't be able to reach through the stock market, offer customers digital access to traditional banking products and services.

## THE SPECTATOR

SPECTATOR MONEY

### What is Britain really good at these days?

Martin Vander Weyer

We're a leader in financial technology, in which the venture capital fund Augmentum Fintech looks promising. Then there's electronic

## James Carthew: Augmentum's mature focus stands out

By James Carthew / 24 Aug, 2018 | CITYWIRE 20 YEARS

I regularly mean that the UK market is not very good at financing early stage British businesses. However, in March this year, we saw the launch of a new fund dedicated to supporting the burgeoning fintech industry in the UK, Augmentum Fintech (AUGM).

## alt fi

### Augmentum: One of 2018's most active UK fintech investors

By David Longman 15th September 2018

As the investment trust announces a new £2.5m investment in Unomartage, we take a look at one of the most active fintech investors in 2018 so far.

Companies in this Article:

ZOPA

## masterinvestor

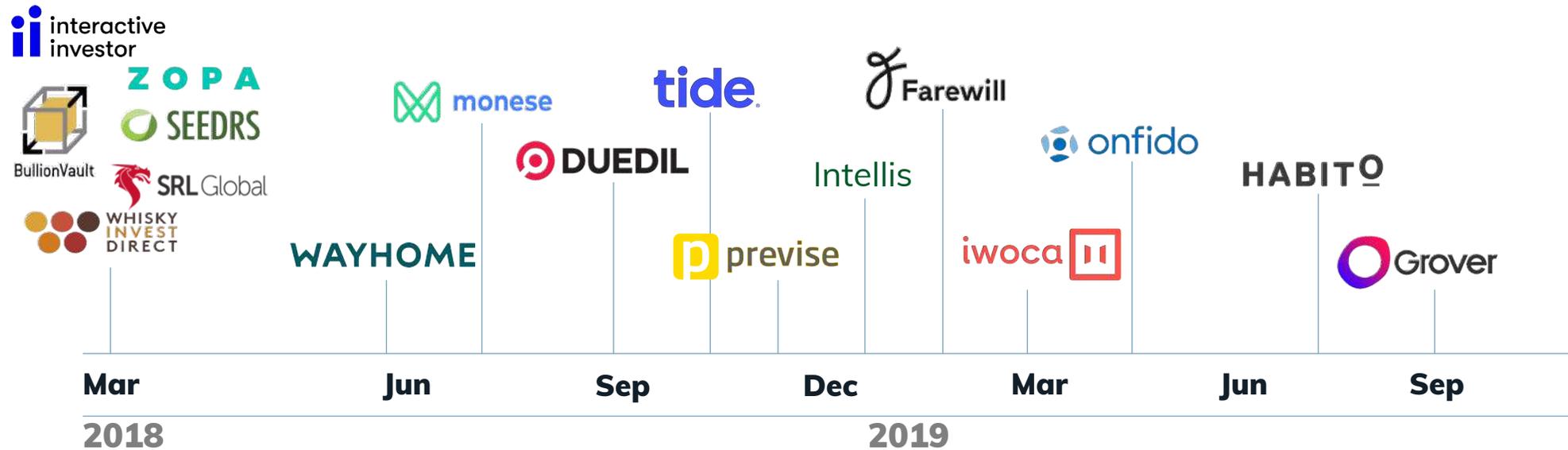
RESEARCH • ANALYSE • INVEST

### Strong start for new Fintech fund

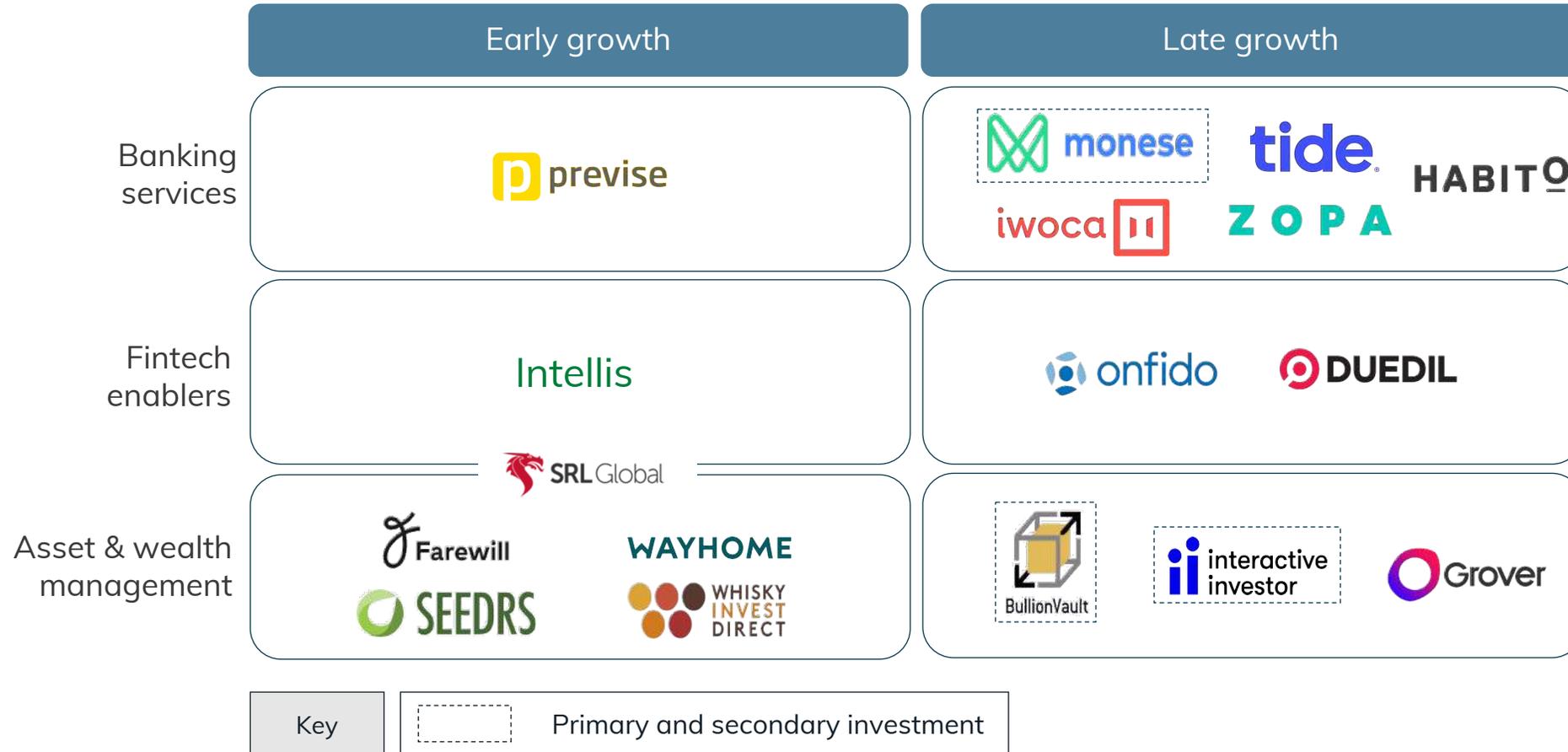
By Nick Sudbury 20 June 2019 | 2 mins. to read

Augmentum Fintech's (LON: AUGM) portfolio of unquoted, early stage Fintech businesses has risen by an impressive 10.7% during its first year, with the managers looking to take advantage of a healthy pipeline of new opportunities.

# Portfolio evolution since March 2018 (Augmentum IPO)



# A balanced portfolio spread across sector and stage



# Portfolio highlights

Top five holdings

**Z O P A**

**£1bn+**

Loan disbursements grew from £49m in 2010 to £1bn+ in 2018

**Banking license**

Received banking license in Dec 2018

**£4bn**

Personal loans approved

**ii** interactive investor

**9%**

Of the UK retail self-directed market

**14%**

Of UK retail equity trading

**~£35bn**

AUA from £2bn in 2013 to ~£35bn today

**onfido**

**20m+**

Applicants checked since April '18

**1,500+**

Customers

**200**

Operates in 200 countries globally

**monese**

**1 million+**

Registered users

**70%**

Of incoming funds are salary deposits, with customers using Monese as their primary bank account (industry leading)

**3x**

Growth tripled in 2018

**tide.**

**120,000+**

Customers (2% market share)

**~12%**

Of new-to-market business current accounts are opened with Tide

**£60m**

Awarded £60m grant in BCR process

# Oliver Prill

CEO, Tide

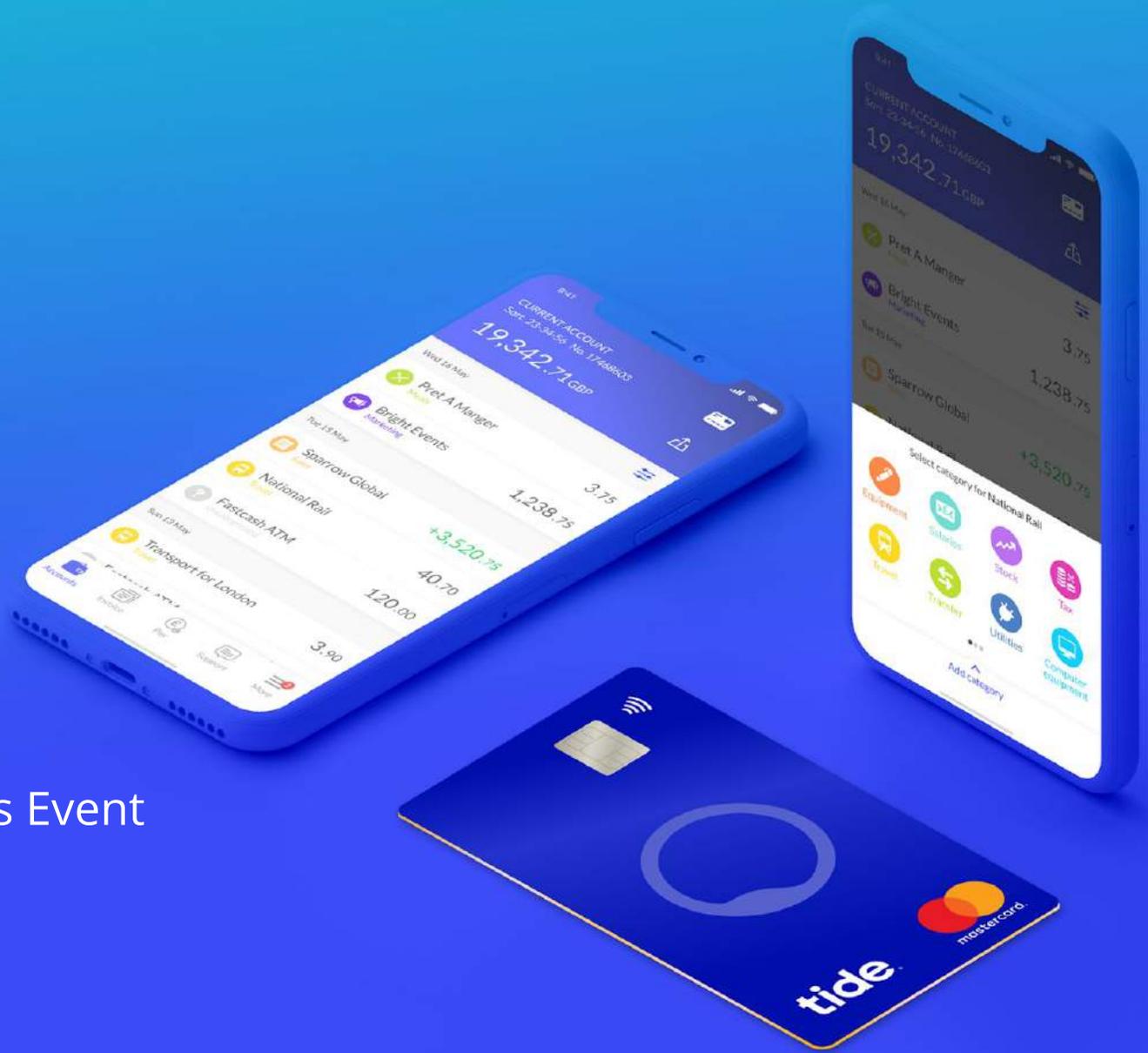




# Leading SME Challenger Banking

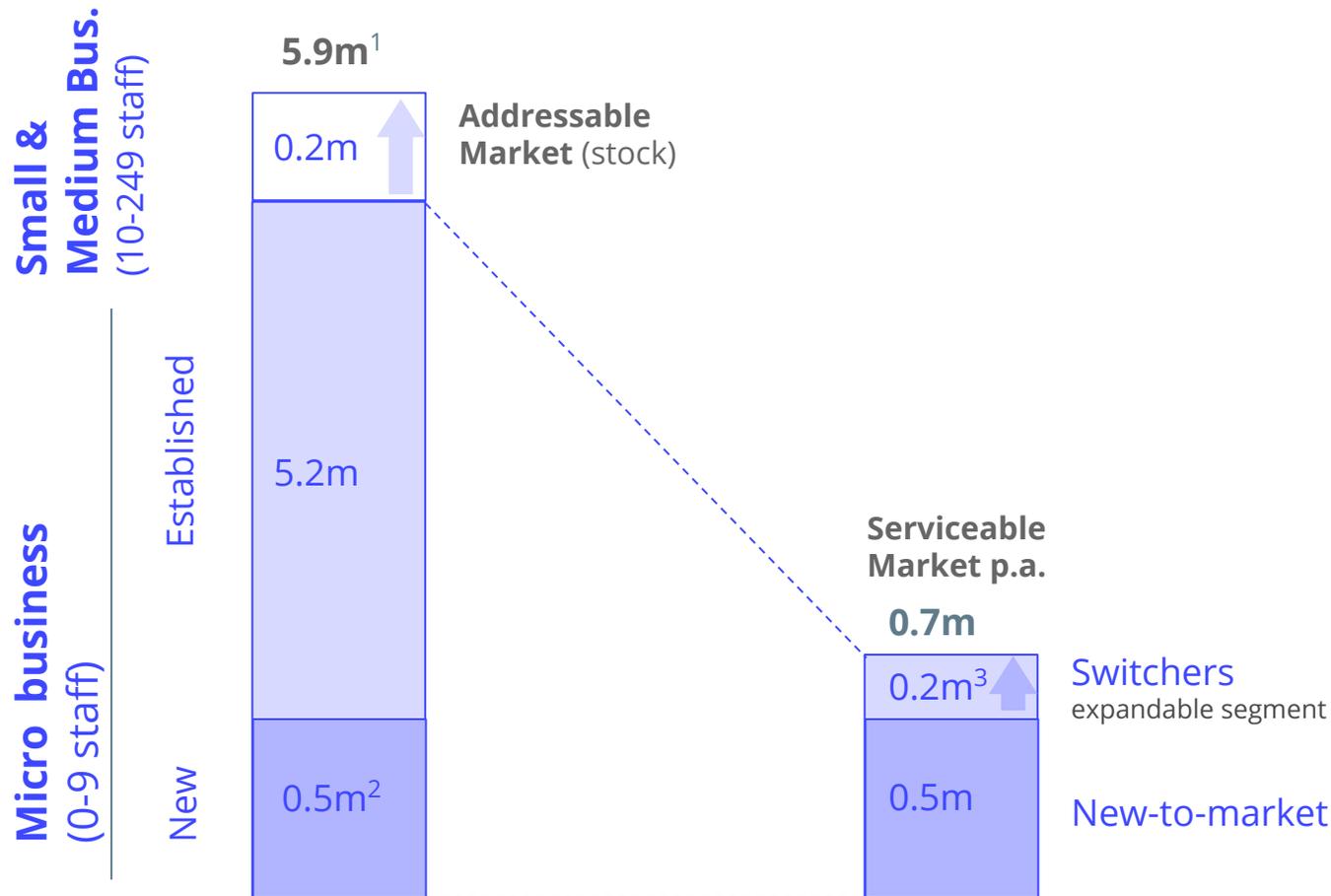
Peel Hunt Investment Companies Event

27 November 2019



Market opportunity | The problem to solve

## Small businesses facing 48 days p.a. "Finance & Admin" opportunity cost



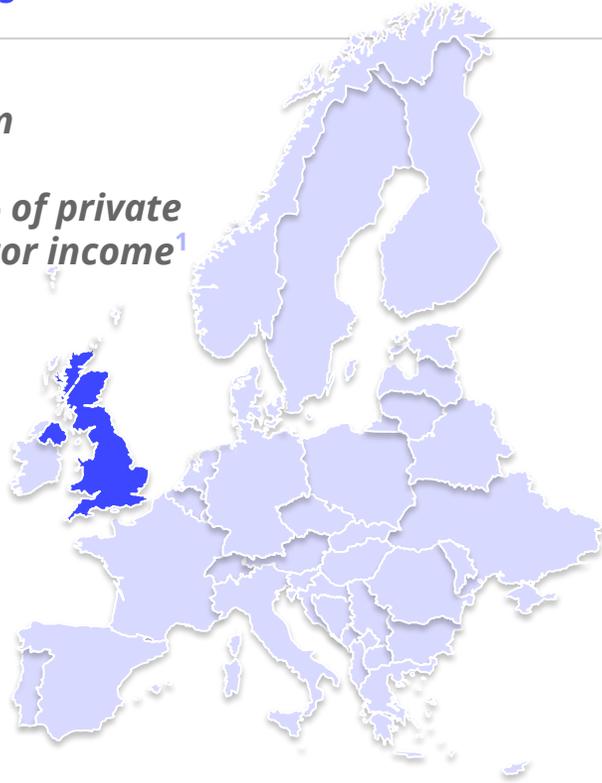
### Key Problem for Businesses

- Vast majority are a micro and small businesses **without a dedicated Finance function**
- **48 days a year** on average is spent on "Finance & Admin"
- Given no dedicated Finance function this represents an **enormous opportunity cost**

## Despite the importance of SMEs to the economy, established banks fail to solve this problem

### UK SMEs

- 5.9m
- 52% of private sector income<sup>1</sup>



### Underserved because of sector complexity

#### Structural complexity

- Entity types
- Multi-roles

#### Demand complexity

- Stage of development specific needs
- Industry specific needs

#### Product complexity

- Product solutions are not integrated across the connectivity chain due to product solos

#### Compliance complexity

- KYC for complex structure
- Ongoing FinCrime prevention

*... this complexity cannot optimally addressed by a bolt-on to a consumer proposition*

*....or by using highly manual, expensive corporate solutions*

**Strategy** | Mission

Tide is about doing what you love. We believe the world would be a better place if more people gave it a shot.

It's why **we're building a banking service that gives time** (and money) back to people who work for themselves.

So they can get back to doing what they love.



Tem Mellese  
Founder, Cold and Blac  
Tide Member



## Tide is the UK's leading business banking challenger



Leading UK *digital* business banking challenger



c120k UK members  
c2% market penetration



c£10m UK ARR,  
structurally profitable



UK only  
with early plans for next country

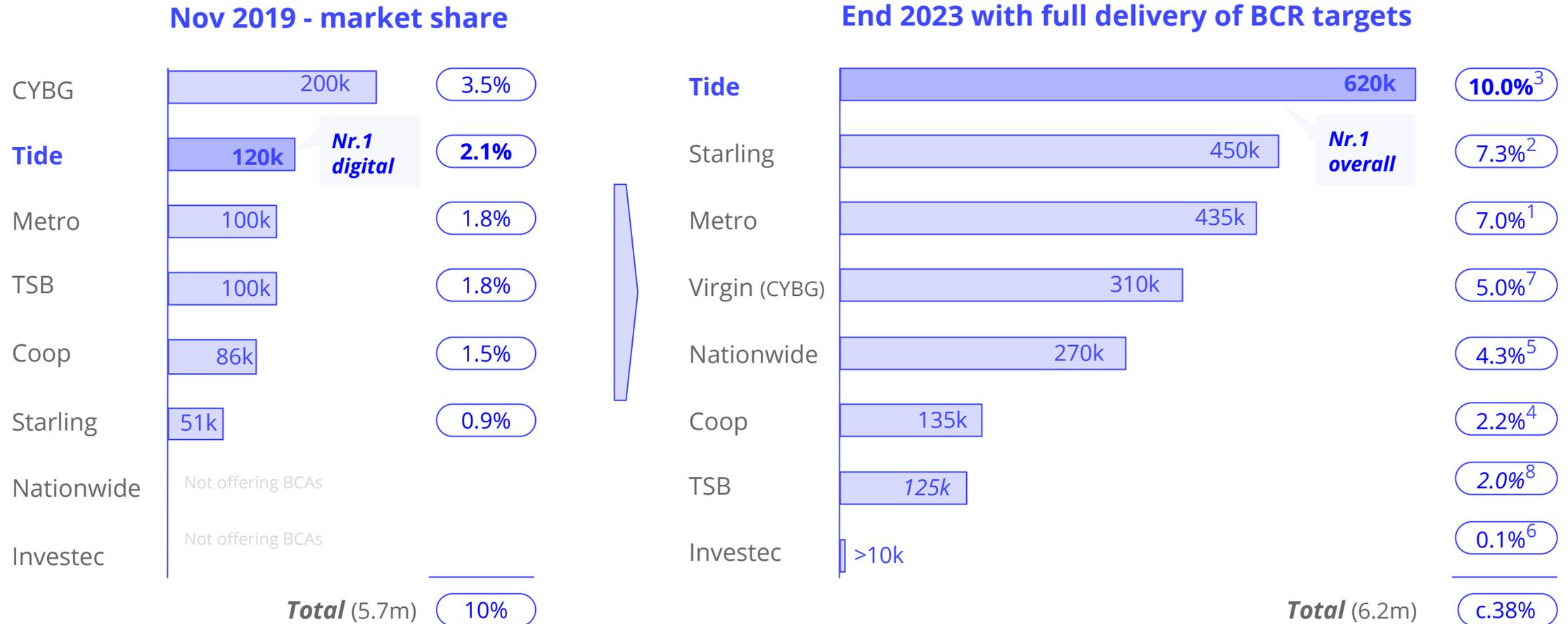


Market leading SME platform, but only at 10% of our aspirations



# Tide is set to become the leading business banking challenger in the UK

No. BCAs, Market penetration



Source for 1-6: Telegraph BCR Article Jan 2019 except CYBG; CYBG Annual report 190k Sep 2018, growing at 30k p.a.; Revolut data not available

1) Metro - Jan 2019: see previous page; 2023: 610,000 stated in BCR public commitments for 2025; prorated to 2023 at 5/7th equals 435k in 2023; at Tide mkt size estimate of 6.2m in 2023 7%

2) Starling - Jan 2019: see previous page; 2023: 450,000 stated in BCR public commitments for 2023; at Tide mkt size estimate of 6.2m in 2023 7.3%

3) Tide with Clearbank - Jan 2019: see previous page; 2023: AT LEAST 8% stated in BCR public commitments for 2023; 10% internal BCR target

4) Coop: Public commitments; at 87k with 2.3% of "banked" SMEs looking to grow to 5% in 2025 ie. 190k; prorated to 2023 at 5/7th equals 136k in 2023; at Tide mkt size estimate of 6.2m in 2023 2.2%

5) Nationwide: Public commitments; at 340k by 2024; prorated to 2023 at 4/5th equals 272k in 2023; at Tide mkt size estimate of 6.2m in 2023 4.3%

6) Investec: Public commitments; at 8k over next five years; at Tide mkt size estimate of 6.2m in 2023 0.1%

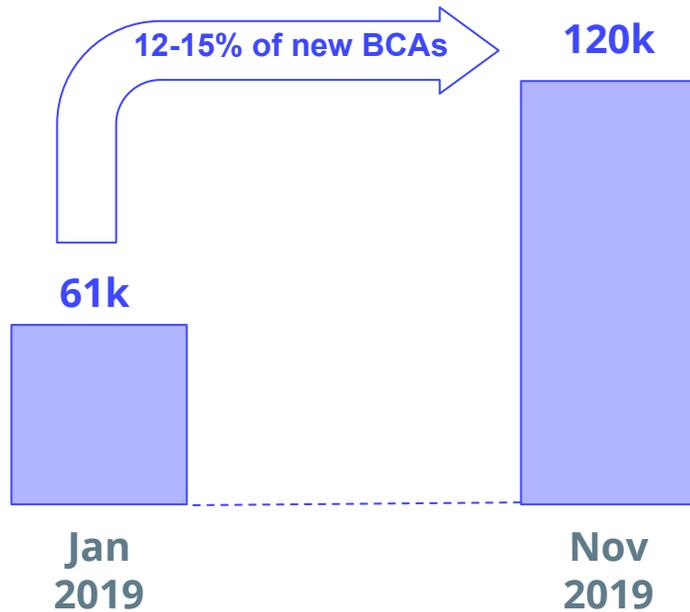
7) CYBG / Virgin Money: Announcement of 5% market share on smallbusiness.co.uk on 19 June 2019; assumed to be achieved in 2023

8) Tide estimate on basis of TSB strategic positioning



## Tide with strong and accelerating growth is well on track

No. BCAs



Market penetration

c.1%

c.2%



THE TIMES 26 Feb 2019

*"The market share [commitments made] look unrealistic ...*

*Some of the winners could do it -*

***Tide [part of Clearbank award] only needs to continue its present growth rate to hit its target."***



# *Tide.co*

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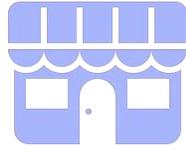
*@tidebanking*



# APPENDIX



## Leadership at Scale Requires Redefinition of Business Banking for the Digital Age



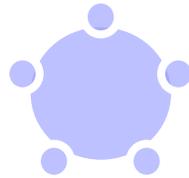
**1. SME Only** catering  
for diversity



**2. Broader Value  
Chain** Play



**3. Platform**  
not a bank



**4. Network Effects**  
orchestration



**5. Machine Learning**  
for complex decisioning



**6. Digital First**  
not digital only

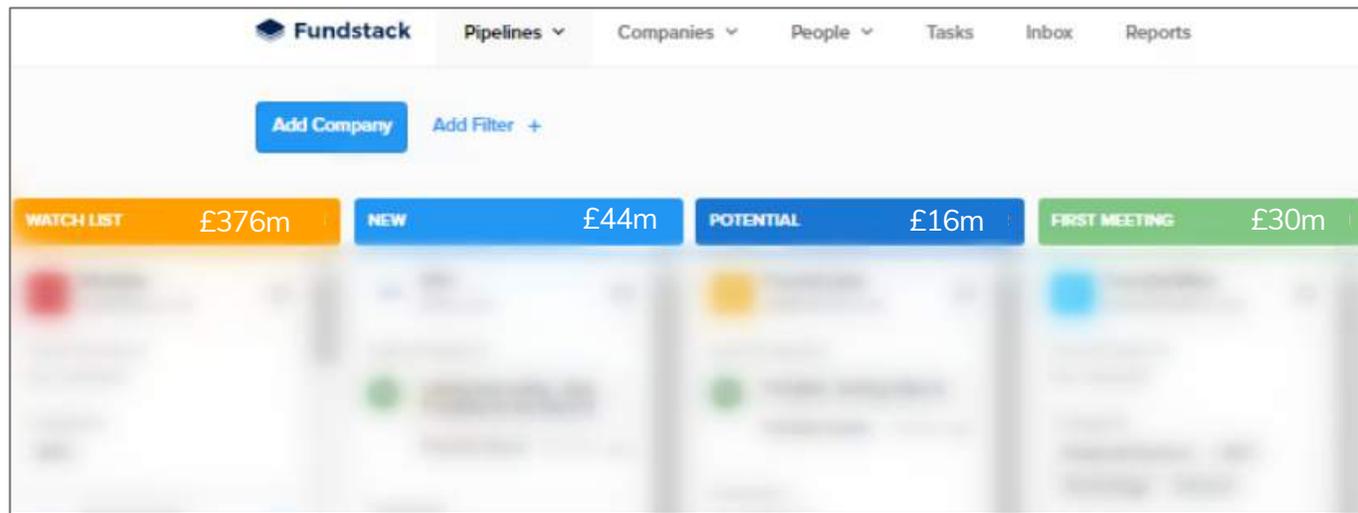




**Tim Levene**

Part 2

# Pipeline



**£1.8bn+**

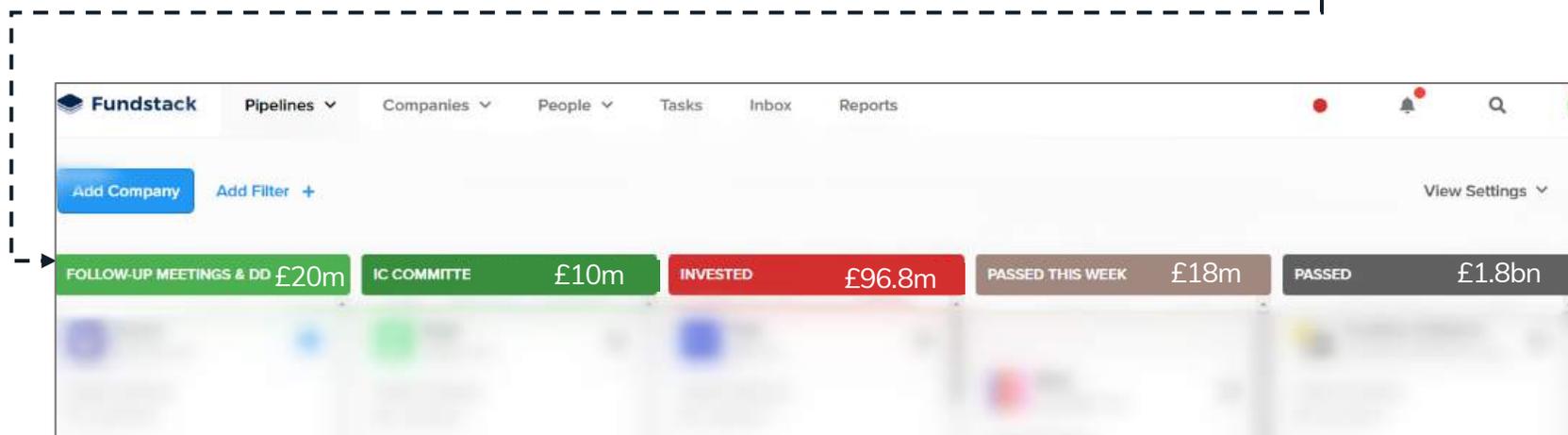
We have reviewed 1,500 opportunities since March 2018, with a combined worth of £1.8bn+

**£500m**

The potential investment value of our current pipeline sits at £500m, and this is constantly increasing

**10**

There are currently 10 opportunities in our near-term pipeline into which we may look to deploy £50m-£100m, subject to agreeing terms



**90%**

We have secured 90% of the deals we've offered Term Sheets to

# There is increasing focus on collaboration between fintechs and incumbents

82% of incumbent financial service providers expect to increase their fintech partnerships in the next 3-5 years

## Incumbent

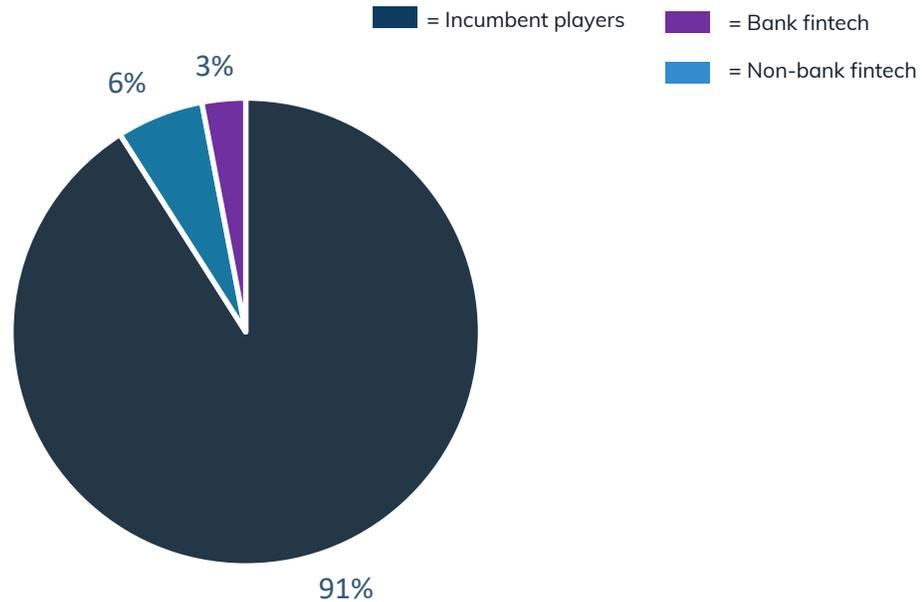


## Fintech partnerships



# Fintech is capturing significant market share, but the total opportunity is nascent

## Global fintech and financial services revenue distribution, 2019



Source: IMF Fintech: The experience so far 2019



**Thank you**