

# Insights into FinTech investing and its **bright** future

Sheel Mohnot

General Partner, 500 Startups (FinTech)

sheel@500.co - @pitdesi

- Setting the scene: Who am I?
- Setting the scene: What is Fintech?
- How has Fintech grown?
- What caused this explosive growth?
- Global trend in “traditional” fintech: funding shifting from B2C to B2B
- Global trend in “nontraditional” fintech: the rise of cryptocurrency and blockchain
- Fire and Ice



## Sheel Mohnot

GENERAL PARTNER  
500 FinTech Fund



2x FinTech entrepreneur (2x exits)-payments & money transfer/escrow/auction

- **FeeFighters** sold to Groupon (2012)
- **Applicant Auction** sold to Innovative Auctions (2015)
- Invested in 30+ startups years as an angel investor before becoming a professional (including seed rounds of Instacart, Coinbase, Flexport, Conekta)

# / 500 Startups is the World's Most Active Seed Investor

500

~\$500M AUM

~2000 Portfolio Companies

50+ Countries



# / World's Most Active Early-Stage FinTech/Insurtech VC

500

~220 Portfolio Companies

26 Countries

3 Unicorns

9 Centaurs

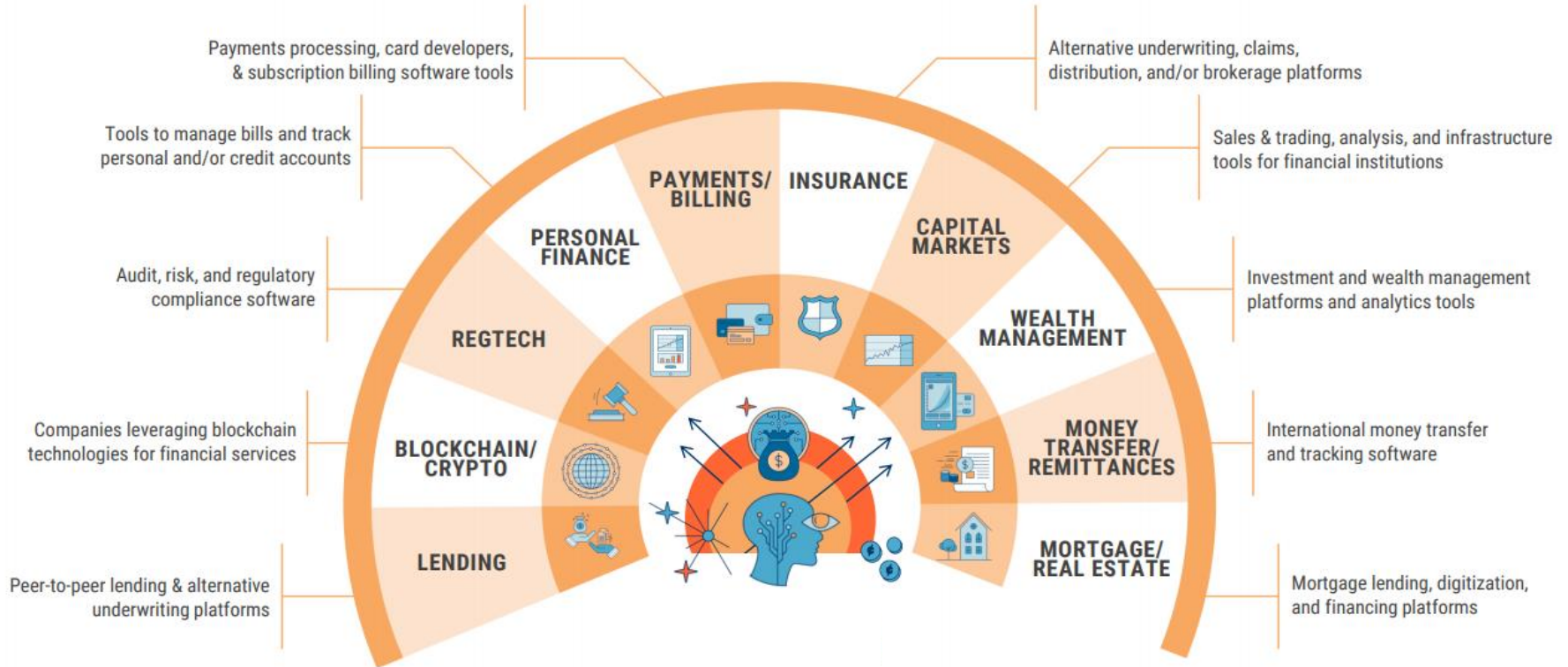
## The most active fintech VCs in 2017

By unique fintech company investments (new or follow-on)

Rank	Investor	Select 2017 Fintech Investments					
1	<b>500</b> startups	 firstaccess	 Clearcover	 kin.	 FIRST CIRCLE		
		 Yaypay	 peoplefund	 FINNOMENA	 WAYPAY		
2	Ribbit Capital	 Affirm	 robinhood	 TALA	 Jetty		
		 Revolut	 upgrade	 raisin.	 HABIT		
3	<b>ACCEL</b> PARTNERS	 YAPSTONE <small>POWERING PAYMENTS</small>	 GOCARDLESS	 travelbank.	 UiPath	 Funding Circle	
3	 BESSEMER VENTURE PARTNERS	 bright HEALTH	 bread	 toast	 Betterment	 Raise	
3	 anthemis   group	 Currencycloud	 trōv	 Tide	 CAPITAL	 TRUELAYER	

# /What is Fintech?

500



Technology-based solutions to make financial services more efficient, whether by **disrupting** or **enabling** incumbents.

# / Where we invest: New financial services & enabling tech investments

500

## Lending

FINOVA financial   

trustingsocial

 PRODUCEPAY

## Blockchain

 Chain

 spring

## Crowdfunding

 AngelList

 AGFUNDER

 REALTYSHARES

## Wealth/Investing

 Neighborly

 ethic.

 EQUITYZEN

## Insurance

 EMBROKER

 kin.

 indio

## Financial Management

Credit  Karma

 SIMPLE

 ContaAzul

 inDinero

 iMoney.my



## Payments/Transfers

 WE PAY

 flywire

 Grab

 CONEKTA

 stripe

 xfers

 Yaypay

 clip

# Trends in Fintech

500

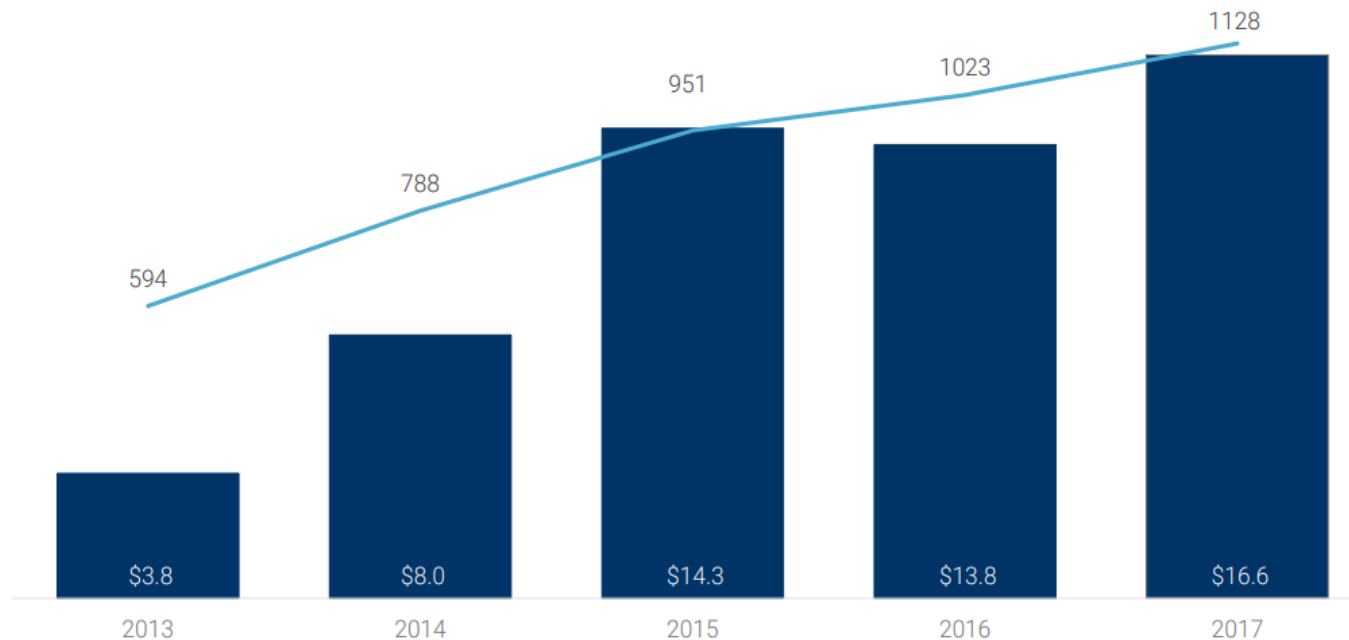




## FINTECH DEALS AND FUNDING HIT NEW HIGHS

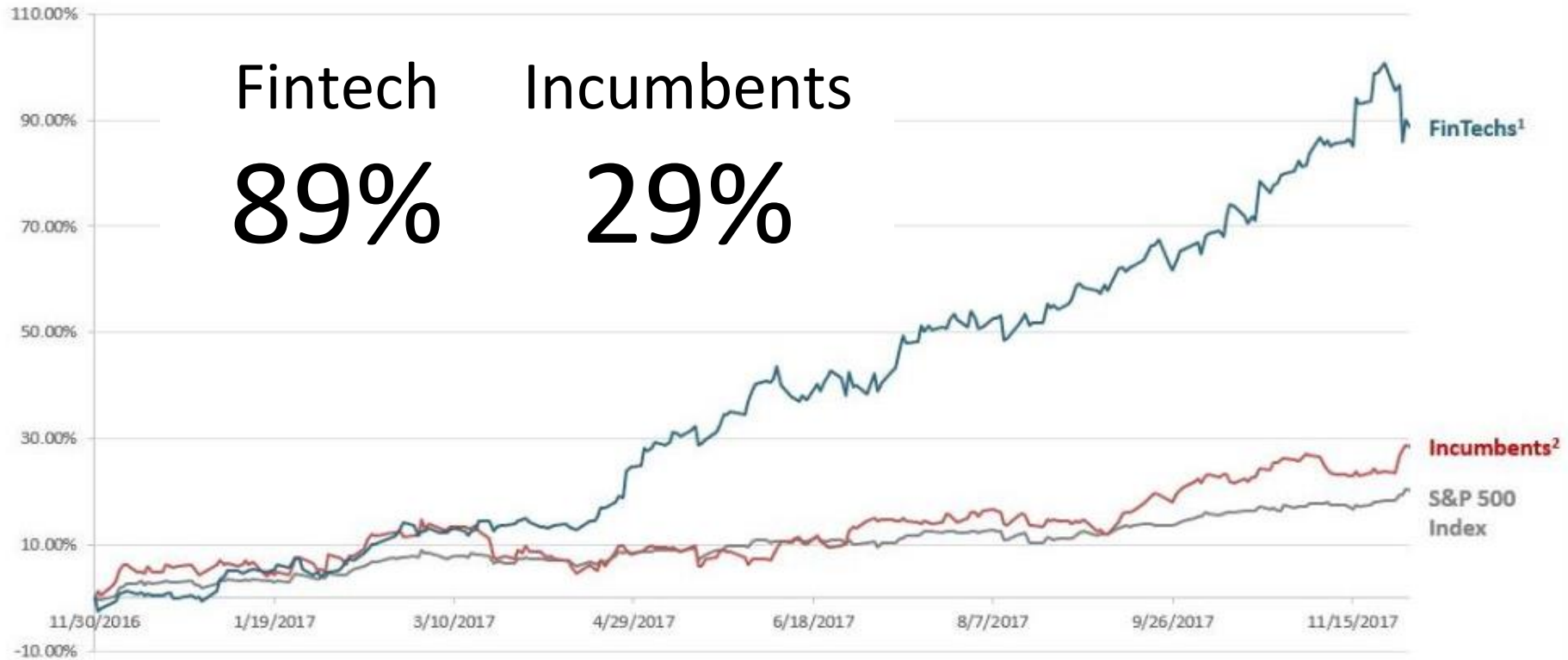
# 2017 was a record year for VC-backed fintech

Annual global fintech deals and financing, 2013 – 2017 (\$B)



# 2017 Investor Returns: Top 10 Public Fintech vs. Top 10 Banks

500



1 FinTechs: PYPL, SQ, LC, BL, ONDK, SHOP, ENV, GDOT, QTwo and MKTX

2 Incumbents: JPM, BAC, WFC, V, C, MA, GS, MS, AXP and PNC

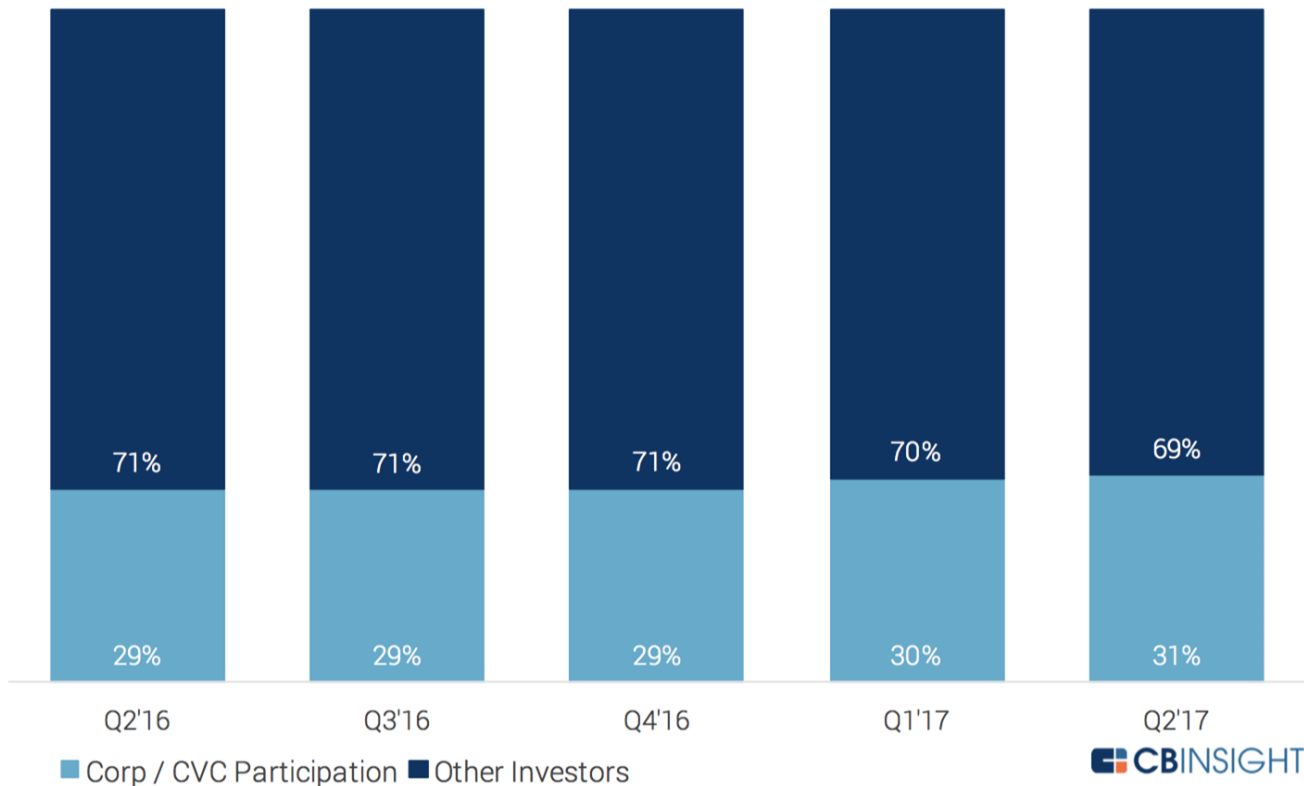
Source: Yahoo Finance



# CVC PARTICIPATION IN GLOBAL DEALS TO VC-BACKED FINTECH COMPANIES

Q2'16 – Q2'17

500

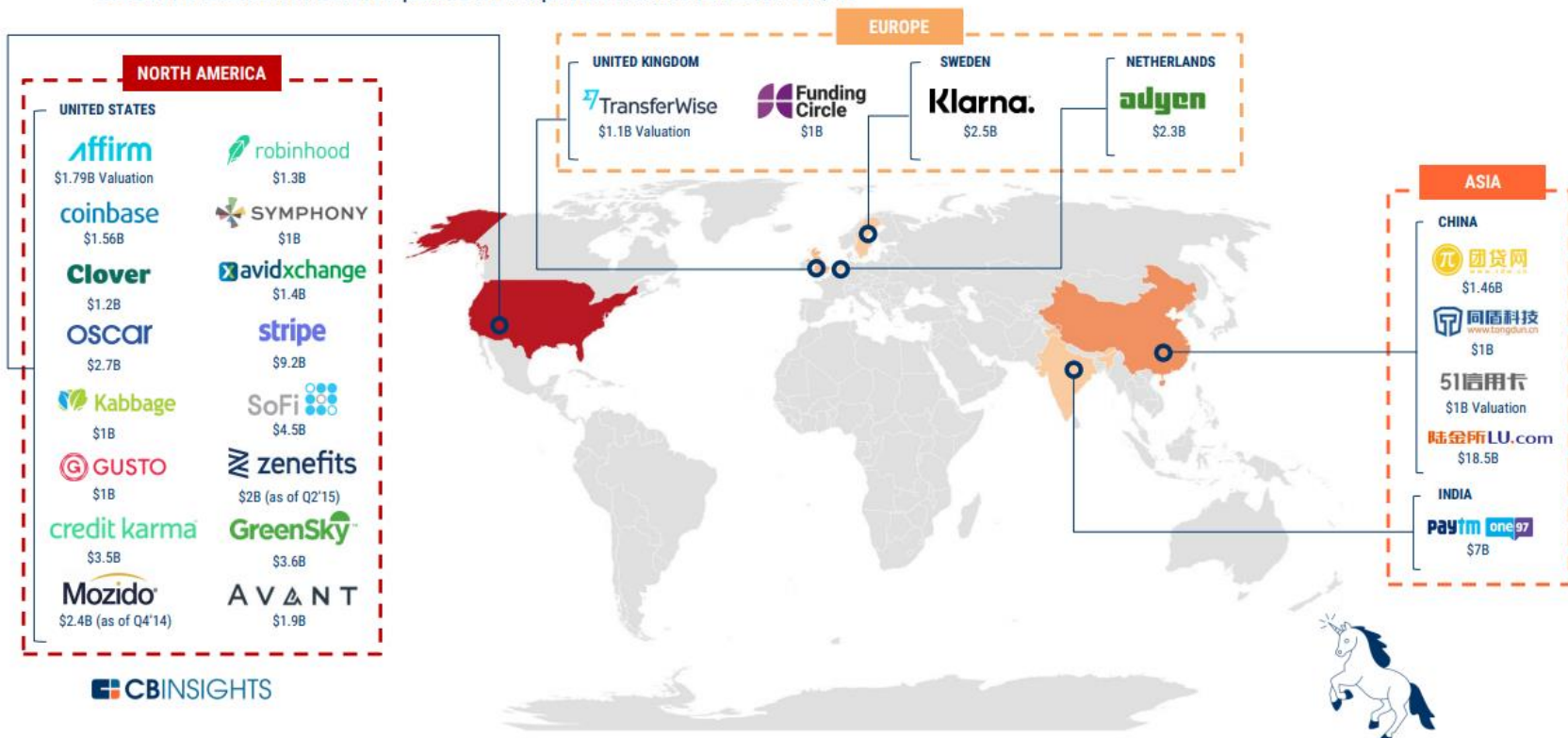


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## 25 fintech unicorns valued at \$75.9B

Global VC-backed fintech companies with a private market valuation of \$1B+





2008





An aerial photograph of the New York City skyline at sunset. The sky is a mix of blue, orange, and yellow, with scattered clouds. The city is densely packed with skyscrapers, with the Empire State Building prominently visible in the center. A large, bold, yellow text overlay with a black outline is centered over the image.

**\$13T**

**17% of Global GDP**



**< 1%**

**Online**



A large, busy office environment, likely a data center or a major corporate headquarters, with many people working at desks. The scene is dimly lit with overhead lights. Overlaid on the image is large, bold, red text.

# 30%

Operations & Compliance Staff  
\$480B/yr!

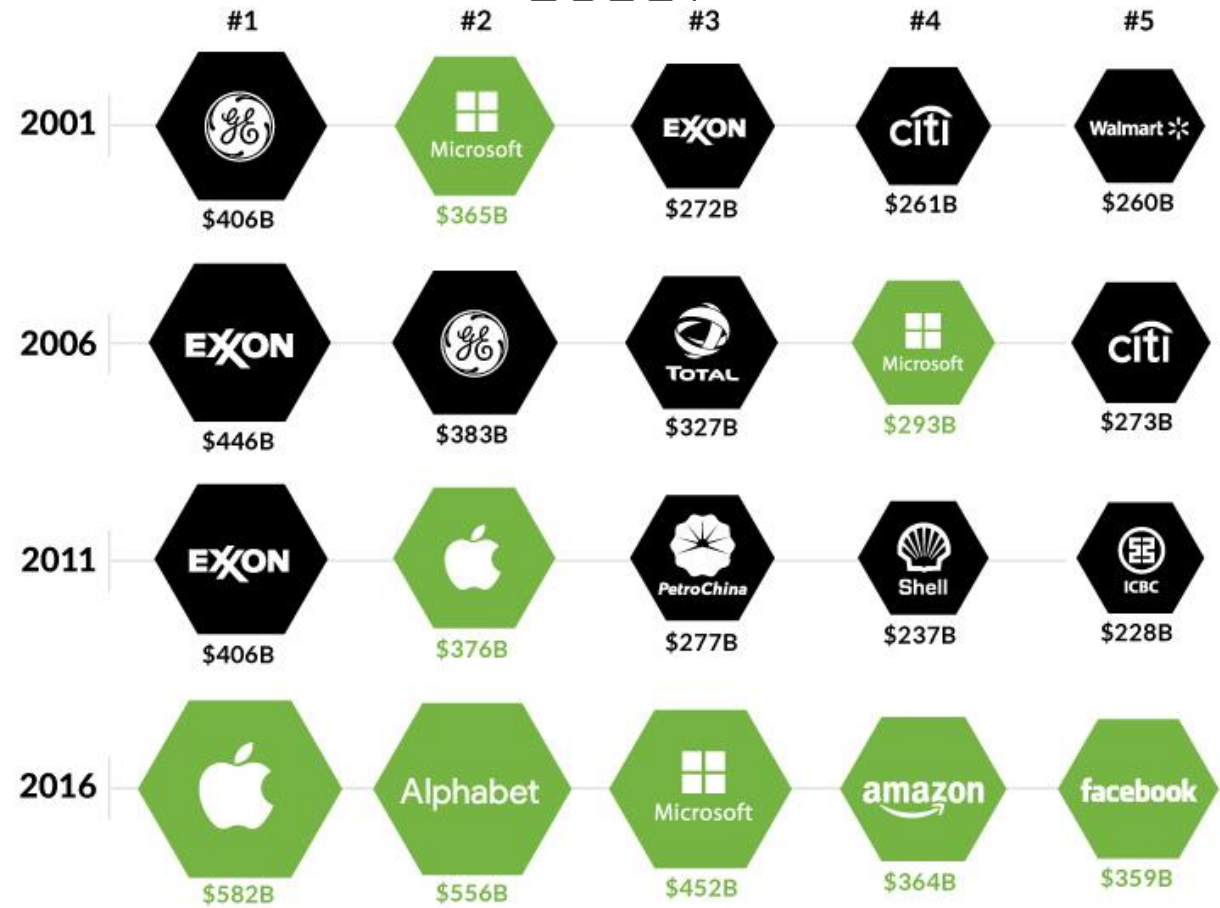


# 3 Billion

NEW smartphone users by 2020

# Largest Public Companies by Market Cap (2001-2016)

500





# / Bad news: they are Fintechs too

500



Payments



Payments  
Insurance



Payments



Payments  
Lending

## / New Entrants: Retailers

500



Valued at \$150B

## / New Entrants: Telcos

500





**Marcus:**  
BY GOLDMAN SACHS <sup>TM</sup>

# ~~O~~pen job requests at Goldman Sachs

500





A middle-aged man with grey hair, wearing a dark suit, white shirt, and a patterned tie, is shown from the chest up. He is gesturing with his right hand while speaking. The background is blurred, showing another person's head and shoulders on the right.

**“Silicon Valley is coming.  
There are hundreds of  
startups with a lot of brains  
and money working on  
various alternatives to  
traditional banking.”**

**JPMC Shareholder Letter  
April 2015**

FEB 13, 2017 @ 08:00 AM

10,578

500

# Is 2017 The Year Bank-Fintech Partnerships Hit Product/Market Fit?

in Share

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## Why Bank-Fintech Partnerships Are Here to Stay

By: *Kimberly Monty Holzel, William Stern*

AUGUST 18TH, 2017

## What do banks look for in a partnership?

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HomeBox

What do

RETAIL BANKING

## In 2018, Banks Will Start Buying FinTechs Investing More Learn to Benchmark Innovation

by  Amit Goel · December 20, 2017

# PYMNTS.com



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## Banks And FinTech Startups: At Odds No More?

By PYMNTS

# Global trend #1: Funding interest shifting (somewhat) from B2C to B2B

Key question:

Can incumbents get  
**innovation** faster than  
startups get **distribution**?

## Our view

- **VC's initially were primarily looking for B2C disruptors, but it's changing. Primary reasons:**
  - Saturation
  - Because of problems (Betterment)
  - Because of successes (Marcus by Goldman Sachs)
  - Because a wave of B2B players is maturing (YayPay)
- **B2C players should ask themselves: did I make a breakthrough in business model, products offered or technology? If not, they will struggle to compete**
  - Good examples: Robinhood, Kin, Mira
  - Bad example: Betterment
  - To be seen: Lemonade

## Global trend #2: The rise of cryptocurrency and blockchain

Key question:  
How to pick the **signal** from  
the **noise**?

### A Brief History

- The birth of the ecosystem- the big bang (BTC), the iPhone moment (ETH)
- Types of players in the asset space:
- **Cash** (Bitcoin, ZCash)
- **Networks** (Ethereum, EOS)
- **Apps** (Augur)
- There is a whole financial ecosystem springing up: media, rating agencies, exchanges, derivatives, events!
- Lots of talent flocking to crypto

## Global trend #2: The rise of cryptocurrency and blockchain

Key question:  
How to pick the **signal** from  
the **noise**?

### Funding In The Space

- ICO market running wild- 7b in 2017  
But it's changing rapidly
- 1,000 funds, some FoF, 1500 assets, dozens of applications
- We invest in equity deals (Omise, Spring Labs, Loom)- but working through the complications of investing directly into tokens
- Still, 99% of deal flow is noise: companies that use blockchain but don't solve a problem, or companies that solve a problem but don't need blockchain

## Global trend #2: The rise of cryptocurrency and blockchain

Key question:  
How to pick the **signal** from  
the **noise**?

### Predictions

- What we like in the crypto space: cash or store of value, privacy & identity, stablecoins (experience)
- Blockchain in the corporate environment so far is a lot of noise but no action, but there is some potential
- Mass extinction of most utility tokens and security tokens
- ICO's will look more like equity crowdfunding (regulations, mix of investors)
- Talent currently flows from fintech to crypto, that's where the easy money is







# Alternative Data Sources





# Artificial Intelligence





# BankTech





# Blockchain





# Capital Markets





# CFO Enablement



# ICO's





# Cybersecurity





# Financial Inclusion





# Insurtech





# Millennials





# Online Lending







# Payments









# RegTech



# Roboadvisors





Thank you!