

# Current developments in the German FinTech market

July 2018

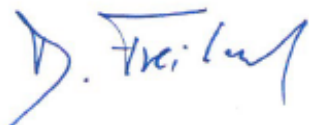
## GREETINGS FROM THE AUTHORS

### FinTechs are on the rise and pushing the established players

Financial technology, FinTech for short, is on the rise worldwide. German providers have experienced strong development in recent years compared to their international peers. However the market is now entering the maturity phase of the development cycle, which will be marked by the sustained dominance of a few successful market participants. In addition, there is an increasing number of bankruptcies due to non-marketable business models, as well as increasing consolidation through acquisitions and high but selectively distributed investments. This movement continues to be offset by a great deal of innovative strength, which will be used to develop business areas with new technologies. Established financial service providers - above all banks and insurance companies - recognized the pressure to act years ago. They have been developing their own models in order to counter increased competition from customer-focused providers and save their bread-and-butter. However they will also continue to be active consolidators in order to compensate for the lack of innovation.

Investors, including venture capital funds, banks, and especially incubators, recognize the opportunity for returns in a time of high investment pressure, but face the increasing complexity of their selection and M&A processes. German companies have made considerable progress in digitization, but they have largely ignored their financial processes. Medium-sized companies have been able to secure competitive advantages due to their strength in innovation. Increased competition and cost pressure, however, also forces them to question their business models and value chains. This includes their financing needs, corresponding processes and investment opportunities. There was never a better time to engage with FinTechs.

Our experts for Financial Services and FinTech took this opportunity to evaluate this interesting market with about 700 German FinTechs. Furthermore, we analyzed the market dynamics as well as the market challenges, setting out potential options to take action.



**Dirk Freiland**  
**Managing Partner**  
**Clairfield International**

[freiland@de.clairfield.com](mailto:freiland@de.clairfield.com)

**Tel:** +49 (711) 6200790

**Mobile:** +49 (172) 6999369



**Andre Waßmann**  
**Senior Advisor Financial Services and FinTech**  
**Clairfield International**

[wassmann@de.clairfield.com](mailto:wassmann@de.clairfield.com)

**Tel:** +49 (711) 6200790

**Mobile:** +49 (173) 3979905

# MANAGEMENT SUMMARY

## The study at a glance

- Content: Overview of the current development of the FinTech market in Germany, compared to other international regions and derivation of the transaction intensity in the current maturity phase.
- Focus: Disruptive providers in the development phase, founding hubs and the capital market related to FinTechs. Established financial services providers with their own digital offers are not explicitly excluded, but are understood as transaction participants, cooperation partners, or investors.
- Key findings of the study:
  - German FinTechs offer services at all levels of a companies balance sheet and thus make it possible to digitally shape the entire financial value chain of German SMEs and other customers.
  - Competition for financial service providers - including mature FinTechs - has risen steadily over the past few years, with increased earnings and cost pressure on the established players; innovation measures based on new technologies are required.
  - The German FinTech market enters into a phase of maturity and consolidation, which is characterized by an increased number of exits of venture capitalists, acquisitions by established FinTechs and among the FinTechs themselves. The investment volumes will also rise and weak FinTechs will disappear.
  - German companies can use this "transaction market" ideally in order to acquire external FinTech expertise for their own development or cooperation or to enter into attractive investments.

## Current challenges

**Earnings pressure:** Banks are already losing around EUR 1.5 billion per year of their earnings and are subjected to eroding interest margins, commissions and trading results.

**Growing pressure:** As competition increases, FinTechs must significantly increase their business volumes and reduce marketing costs in order to survive in maturity and build on a leading position.

**Cost pressure:** German SMEs and industrial companies can reduce cost pressure and improve process quality by digitizing and realigning their financial processes.

**Investment pressure:** Investors urgently need attractive investments and find high return opportunities in FinTech offerings. Target identification becomes more difficult and the complexity of the innovation process increases.

## Our recommendations

**FinTechs** can consider acquisitions, in addition to the organic expansion of their products and markets. Takeovers of smaller competitors enables leapfrogging growth. However, both cases require significantly more capital than they did years ago.

**(Medium-sized) Companies** should accelerate the digitization of their financial processes and financial products and facilities. This has a direct positive effect on the process quality, costs and return on their investments. The development of appropriate expertise through cooperation, acquisition or investments are recommended – analogous to the banks and insurance companies.

**Investors** must adapt their investment strategies to market developments. Experts can support target selection and M&A processes. This can increase yields and reduce complexity.



## A. FINTECH MARKET IN GERMANY

---

A. FINTECH MARKET IN GERMANY

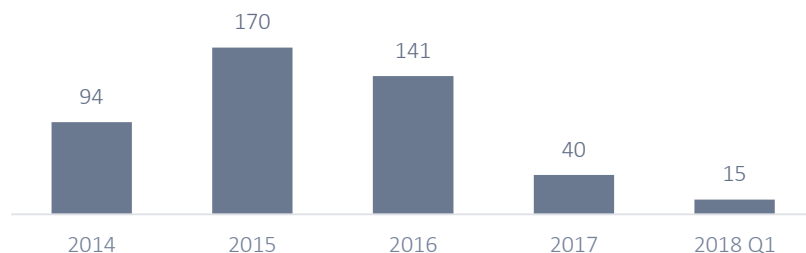
B. SUMMARY AND OUTLOOK

C. CLAIRFIELD INTERNATIONAL FINANCIAL SERVICES TEAM AND REFERENCES

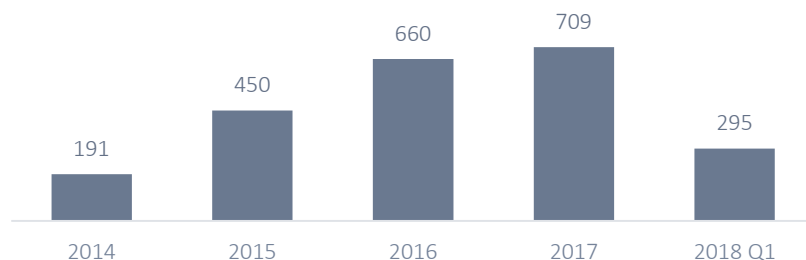
# ENORMOUS DEVELOPMENT OF THE GERMAN FINTECH MARKET THROUGH STARTUPS AND EQUITY CAPITAL

## Current development of the market - foundations and venture capital

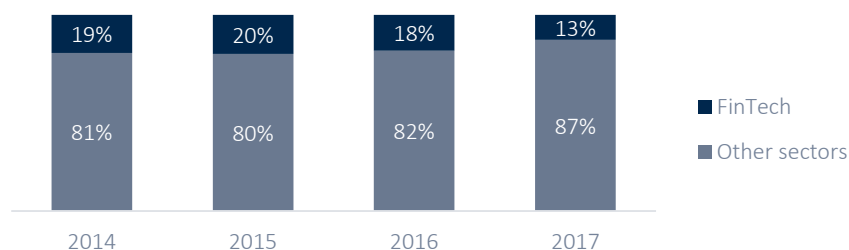
### Startup foundations



### Venture capital investments in EUR mn



### Invested venture capital



- Around 700 FinTech startups based in Germany (as of March 2018), representing an increase of 32% since 2015.
- 2015 and 2016 were record-breaking years for startups; 141 new startups (about 3 new startups per week) in 2016.
- Approximately EUR 709 million of invested capital in 2017.
- This means about EUR 1.66 billion of invested capital since 2016 (as of March 2018).
- The investment market for FinTechs has shown considerable entries and developments since about 2012. The common holding periods of early-stage investments tend to be 3-5 years. Movements in the market and discussions with market participants confirm that increased transaction activity is to be expected in the short to medium term.
- Recent declines in FinTech's foundations and share of total venture capital volume in Germany in 2017 can be explained by the largely completed allocation of funds from investors in the early financing rounds.

# IN GERMANY, FINTECHS ALREADY COVER MANY BUSINESS SEGMENTS FOR FINANCIAL PRODUCTS AND SERVICES FOR ALL CUSTOMERS

## Selection of relevant FinTechs in Germany

Powered by [www.paymentandbanking.com](http://www.paymentandbanking.com)  
02.05.2018

**PAYMENT**  
TransferWise, Payleven, optipay, KlikaPay, sum up, TWEET, SPENDIT, PayCash, BILLPAY, izettle, IPAY.it, billingmaker, PAYMENT, PayShare, payworks, kash, BLUE CODE, UMT, GO4Q, RatePAY, KANARYPAY, CIRCLE, sicher bezahlen, LATERPAY

**BITCOIN**  
Bitbond, SatoshiPay, Coinify, DOGECOIN, bitcoin.de, canap, Yacuna, COINTECO, COMPANISTO, FINANZCHECK, loanbook, FUNDESTERS, VEXCASH, finpar, kapilendo, Ferratum, Elahero, Commnex, SECONWATCH, smava, tradico, CRIMARKETS, bankless24, MoneyFollows, cashpresso, Debitos, CROMATCH, COMPEON, VALENDO, Finnest, entrafin

**ECOMMERCE**  
AULTED, payever, alipago, RatePAY, Barzahlen, SEPAone, fashioncheque, PAYMILL, better payment, Grover, VAI

**CREDIT**  
auxmoney, Spotcap, Lendico, Kreditech, COMPANISTO, FINANZCHECK, loanbook, FUNDESTERS, VEXCASH, finpar, kapilendo, Ferratum, Elahero, Commnex, SECONWATCH, smava, tradico, CRIMARKETS, bankless24, MoneyFollows, cashpresso, Debitos, CROMATCH, COMPEON, VALENDO, Finnest, entrafin

**ORDER / CASH**  
liveIDENT, webID solutions, IDnow, AUTHADA, identity, SO, verify-U AG, IDVES, ROC.KASSE, GASTROFIX, INVENTORUM, orderbird, Quandoo, Cookies, pepperkom, ready2order, PENTA

**BANKING**  
ementexx, MAMBU, traipay, dwinis, N26, fidor, TIS, mamocle, HOLVI, TreasuryView, BANCALIS, fin, compraga, Kontist, Finanzguru, uphold, XWARE42, myIBAN, FINREACH, SAMT AG, sharewise, GINMON, easyfolio, fairr.de, twindepot, SwipeStox, CASHWARD, kopilendo VENTURE, UNITED SIGNALS, MINVEO, SOLUTIONS, Jlwertios, Stock-Pulse, bettervest, Ways2Wealth, swanest, investify, monymeets, ayondo, monymeets, lintra.de, SAVEDROID, fintego, LIQID, quiron, zinsgold, niio, nextmarkets, Simple Finance, eG Guidants, elinvar, Welt Sparen, VISUALVEST

## German FinTech Overview - Unbundling Banks

**INSURANCE**  
wefox, passtap, friend2you, VIRADO, GetSafe, SCHUTZKLICK, safeome, Vertragum, TED, KASKA, insurgram, FINANZ CHEF24, AppSichern, Knip, OnlineVersicherung.de, yoursurance, Optisure, VERSICHERIX, massup, Community Life, asuro, alles, CLARK, FinanzStar, feelix, fingo, my Pension, RiskExpert, fin.klick, PRIORApp, schadenhelfer, BRIX, covomo, ETHERISC

**DONATIONS**  
wikando, fraist, HelpingCents, ALTRUJA, twingle, FUNDRAISINGBOX, elefunds

**PFM**  
Qontis, CENTRALWAY, kontoalarm, zuper, moneygarden, feelix, rentablo

**RATING / RISK**  
bonify, SCORE KOMPASS

**ACCOUNTING**  
webapp, sevDesk, bilwerk, FastBill, ALIAS WHITE, ISAACIO, USMOICE, SMAC, SalesKing, MENSUM, billomat, Run my Accounts

**P2P**  
cringle, tabbt, Payza, Payfriends, AZIMO, kittysplit, cashcloud, lendstar, collect, elopay, PAYMEY

**FACTORING / COLLECTION**  
RECHNUNG48, PAIR, BILENDO, limando, TrustBills, FLEX, PAGIDO, DECIMO, eCollect, BillFront, collectAI, innolend, fundflow, bezahlt.de

**Tools**  
gini, xpenditure, organo.me, FinLeap, EDGWORK

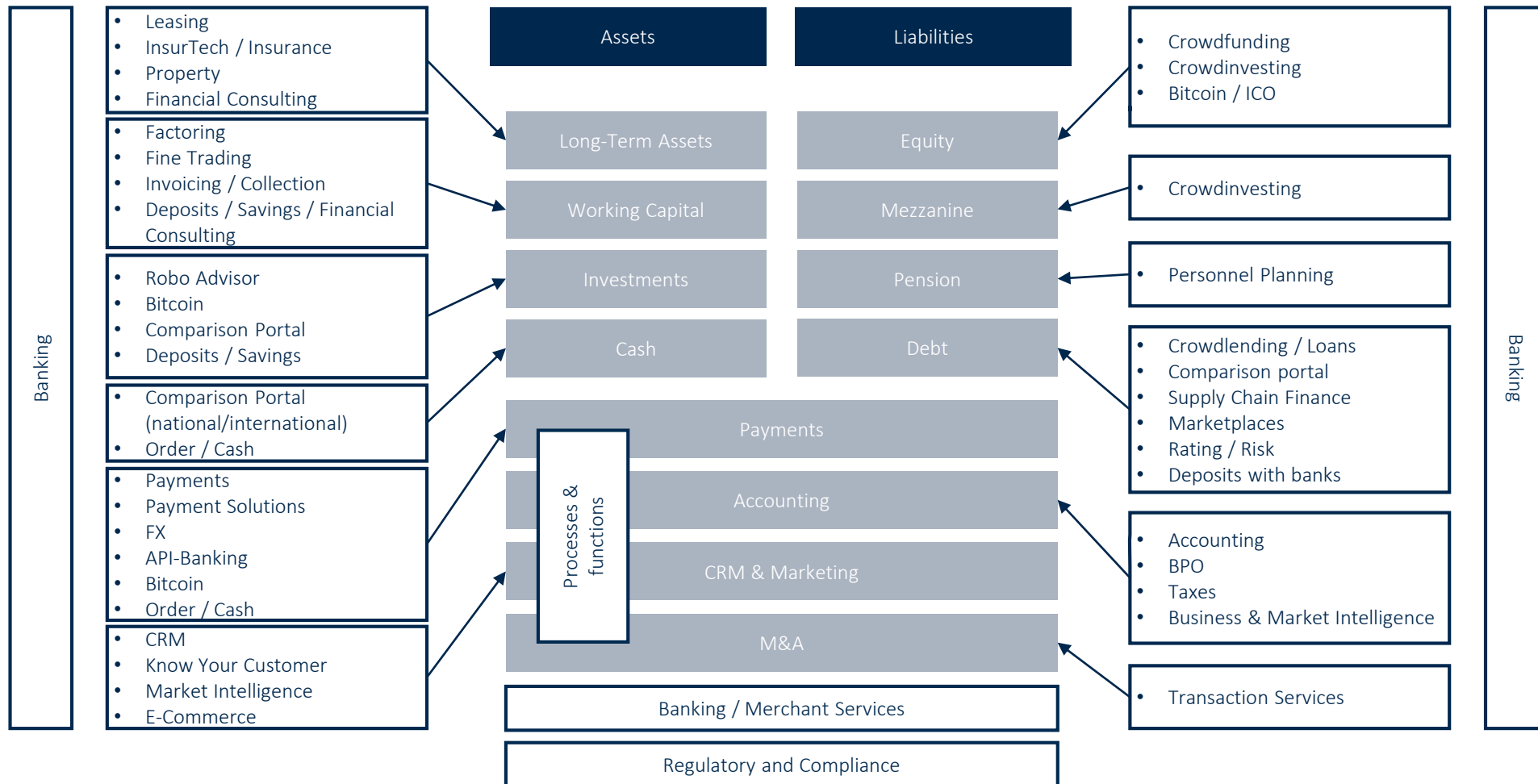
**API-BANKING**  
fingo, OPENBANKPROJECT, BANKS301, EBICS-BOX, finAPI, solbank, fidor, FINTECSYSTEMS, NDGIT, YUKKALAB

**IMMO**  
HOME ROCKET ROCKS, zinsbaustein.de, FundNation, Maklaro, MEZZANY, ZINSLAND, GroupEstate, ENGEL & VÖLKERS CAPITAL

**SAVINGS**  
SwipeStox, kopilendo VENTURE, UNITED SIGNALS, MINVEO, SOLUTIONS, Jlwertios, Stock-Pulse, bettervest, Ways2Wealth, swanest, investify, monymeets, ayondo, monymeets, lintra.de, SAVEDROID, fintego, LIQID, quiron, zinsgold, niio, nextmarkets, Simple Finance, eG Guidants, elinvar, Welt Sparen, VISUALVEST

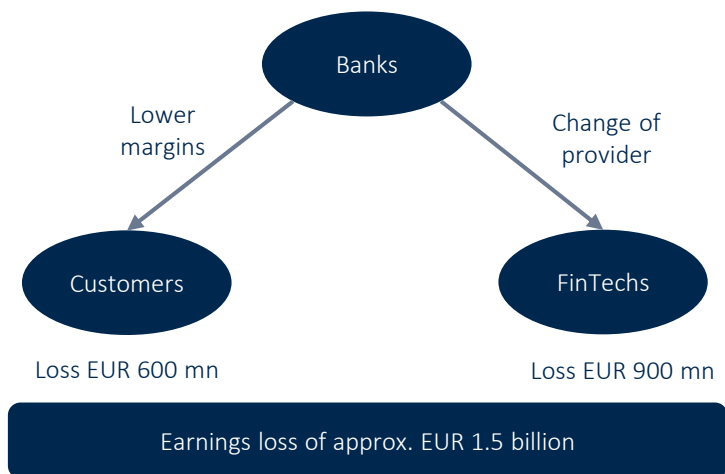
# FOR CORPORATE CLIENTS, FINTECHS ARE ALREADY ACTIVE AT ALL LEVELS OF THE BALANCE SHEET AND FOR KEY FINANCIAL FUNCTIONS

## Overview of services provided by FinTechs



# IN RETAIL BANKING, BANKS ARE ALREADY LOSING 3% OF THEIR REVENUES EACH YEAR TO FINTECHS

## Income losses of German banks



### Included:

- Neobanks (e.g. N26)
- General aggregators (e.g. Check24, Verivox/Outbank or Treefin)
- Specific marketplaces (e.g. Hypoport/Dr. Klein, Interhyp, smava or Finanzcheck.de)
- Product specialists (e.g. Robo Advisor like Scalable Capital or P2P-Platforms like Auxmoney)
- Supplier of banking services (e.g. IDNow, Gini or Fino)
- Platform banks (e.g. solaris)

### Not included:

- Corporate banking
- Investment banking
- Payment service providers and wallet providers (by definition, revenues through retail co-operation, and not part of the retail client's revenue pool)

- Of a total income of EUR 54 bn in the retail banking business in Germany, banks lose almost 3% annually due to FinTechs. Reasons for that are direct supplier changes or lower margins due to increased market transparency.
- Distribution of provider changes:
  - EUR 700 million aggregators and specific marketplaces
  - EUR 80-100 million banking services provider
  - EUR 30-50 million product specialists
  - EUR 20-30 million neobanks
  - EUR 20-25 million platform banks
- This is becoming more dramatic as banks are struggling with an earnings problem caused by low interest rates, declining commissions and stagnating trading results.
- By 2022, it is estimated that the loss of income will increase to EUR 2 billion.
- Banks must counteract by regaining control of the customer interface - either through in-house developments, cooperation, investments or takeovers.



# GERMAN FINANCIAL SERVICE PROVIDERS, COMPANY BUILDERS AND INVESTORS REALIZE THE PRESSURE TO ACT

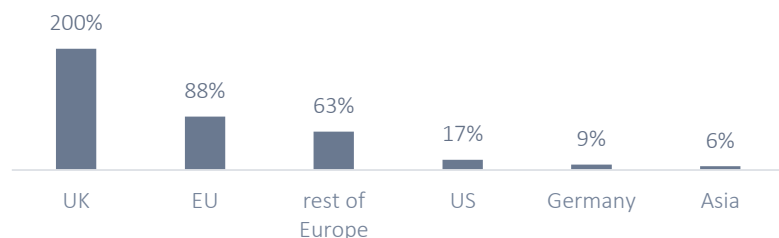
## Collaborations and investments



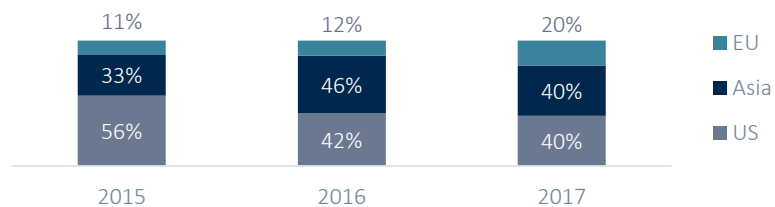
# GERMANY IS LAGGING BEHIND IN TERMS OF INVESTMENT AND TRANSACTION VOLUME COMPARED TO INTERNATIONAL PEERS

## German FinTech market in international comparison

### Venture capital investments - growth in 2017 in%



### Venture capital investments - share of FinTech investments per region



### International business volume<sup>1</sup>

Top countries in EUR bn	
China	1,414.8
US	1,146.2
UK	195.7
Japan	151.8
Germany	118.7

- China is the world's largest market with a total business volume of EUR 1,415 billion in 2017, followed by the US. With a business volume EUR 119bn, Germany is well behind Japan (excluding InsurTech).
- Strong increase in venture capital share for FinTech investments in Europe to 20% at the end of 2017; however, there is still a clear need to catch up.
- Although Germany is the second most important European FinTech VC market behind the UK, the volume of FinTech investments in Germany only grew by 9%, compared to the rest of Europe (63%) or the UK (200%).
- There are three main reasons for the comparatively lower venture capital investments:
  - In some cases, German FinTech business models have not reached the stage of development of their international competitors in the US, UK or Asia.
  - Investors were still not convinced of their performance and the relevance of their business models. American startups have been more aggressive in self-marketing so far.
  - German investors are more cautious, which reduces the volume despite the participation of international venture capital.

# THE GERMAN FINTECH MARKET RECENTLY INCREASED ITS ATTRACTIVENESS FOR INVESTORS AND WAS ABLE TO CATCH UP INTERNATIONALLY

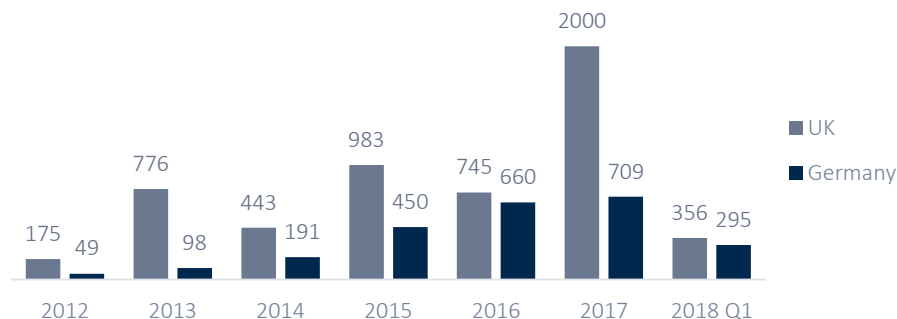
## FinTech Investments in Germany vs. UK and Top 10 in Europe

### The largest FinTech deals 2017 in Europe in USD mn

Rank	Company	Volume	Location	Deal
1	Trayport	727	London, UK	M&A
2	Transferwise	280	London, UK	Series A
3	TradeTechAlpha	150	London, UK	M&A
4	JustGiving	127	London, UK	M&A
5	BIMA	107	Stockholm, Sweden	VC
6	Monzo	94	London, UK	VC
7	Tinubu Square	62	Issy-les-Moulineax, France	Buyout
8	Salary Finance	53	London, UK	VC
9	iZettle	47	Stockholm, Sweden	VC
10	WorldRemit	40	London, UK	Series C

- Global deal volume was USD 31 billion compared to USD 24.7 billion a year ago according to KPMG
- Seven out of the top 10 transactions in Europe took place in the UK (KPMG).
- The German transactions of N26, solaris and smava in 2018 would be on positions 4, 7 and 8 in this ranking, displacing two UK transactions.
- In the first quarter of 2018, Germany is clearly catching up. The difference in funding is only 17%, compared to 65% in 2017.
- It is too early to forecast a shift in investment activity towards Germany.
- However, it becomes clear that the German FinTech market benefits from the attractiveness of individual players. They were able to convince capital investors of the sustainable profitability of their business models much earlier than others.

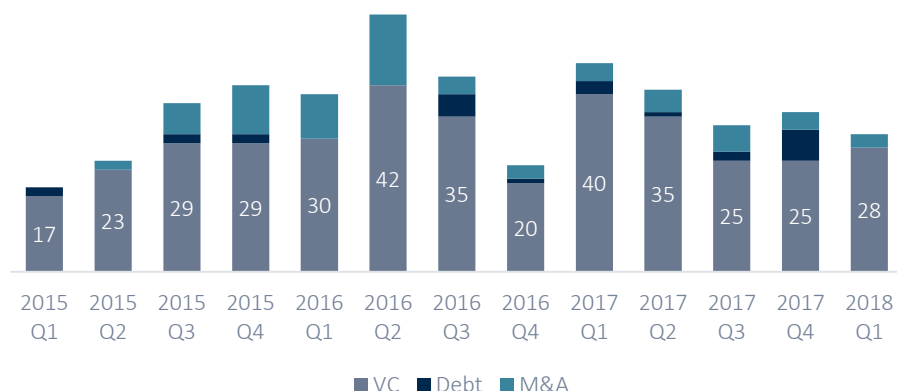
### Invested venture capital in EUR mn in Germany and the UK



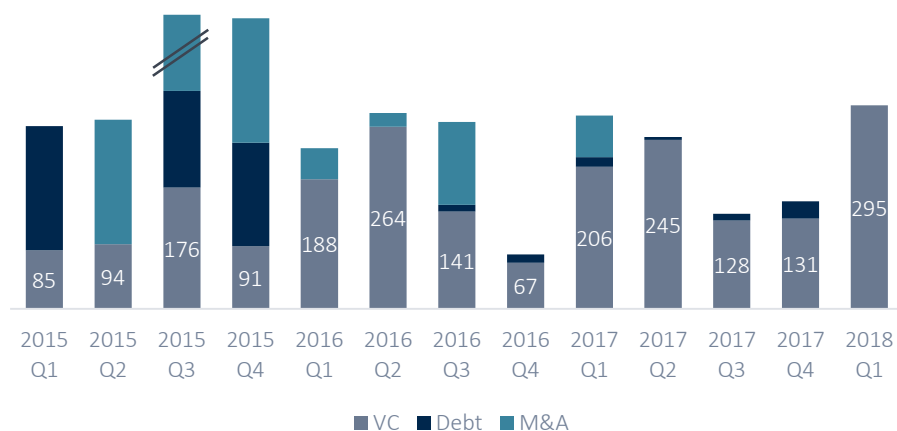
# FEW BIG DEALS DOMINATE THE MARKET - ALMOST ALL BUSINESS MODELS STILL HAVE TO PROVE THEMSELVES

## Investments in FinTech - Venture capital 2015 to Q1 2018

*Venture capital investments - number of FinTech investments*



*Venture capital investments - volume of FinTech investments in EUR mn*



- The top 10 deals in 2017 amount to EUR 319 million, 44% of the German FinTech venture capital volume.
- New investment record in the first quarter of 2018 at EUR 295 million (+44% compared to Q1 2017), driven mainly by top deals N26 (new record of approx. EUR 130 million), solaris (approx. EUR 57 million) and smava (approx. EUR 52 million).

### However:

- The stagnating and partly declining number of deal financings in Germany shows that the market is in a crucial transition phase.
- FinTechs have to set the right course for further operational development, to generate scaling effects and to create a perspective on sustainable profitability.
- Three possible paths are available:
  - Business model adaptation to B2B(2C) models to reduce marketing expenses and increase revenue per customer.
  - Significant increase in number of customers and sales volume through organic growth, i.e. further development of the existing product, expansion of the product portfolio or internationalization. This requires further financing.
  - Acquiring competitors or acquiring customer volumes (inorganic).
- In any case, FinTechs need more capital for all measures - but this does not pose a problem in the case of a convincing business model with a perspective of sustainable profitability.

## ONLY A FRACTION OF THE 700 FINTECHS IN GERMANY FULFIL THE CRITERIA OF THE PROVIDERS OF CAPITAL FOR LARGE INVESTMENTS

Stable profitability		
Check24	Comparison portal	EUR 500mn revenue, approx. EUR 50mn EBITDA in 2015/16
Hypoport	Mortgages, intermediary	EUR 23mn EBIT in 2017
Interhyp	Mortgages, intermediary	EUR 68mn EBIT in 2016
360T	Currency trading platform	EUR 20mn operating profit prior to the acquisition by Deutsche Börse in 2014
Wirecard	FinTech bank	EUR 412mn EBITDA in 2017

New or weakly profitable		
Billpay	Purchase on account, E-Payment	EUR 1.2mn net income in 2016
Ratepay	Purchase on account, E-Payment	EUR 80k Net income in 2016/17
Sum-up	Payment	Expert opinion
Fino	Changing bank accounts, B2B	Expert opinion
Fincite	Banking-Tools, B2B	Six-digit surplus in 2017 and 2016
Auxmoney	Loans, marketplace	According to own statements profitable in Q3 and Q4 2017

Expected to be profitable		
N26	Banking	High capital efficiency, low losses
smava	Comparison portal for loans	Strong growth, marketing expenses under control

- Out of approximately 700 FinTechs, less than 2% are profitable.
- However, profitability alone is no guarantee of attractiveness among investors - two FinTechs, which are not yet profitable, have managed to convince investors to invest record amounts (N26 EUR 130m and smava EUR 52m).
- Nonetheless, it becomes clear that the already successful startups were the first to fulfil the key investment criteria for large investments:
  - The business model is sustainable
  - Customer numbers and business volumes are growing at an above-average rate
  - The capital employed is used efficiently and purposefully
  - The typically high marketing spending in B2C models is largely under control
  - Initially high losses could be significantly reduced
- FinTechs that have not yet met these criteria are under pressure to find alternative ways to grow quickly and take action to reduce costs. Otherwise, they are threatened by the wave of consolidation or closure of the business.
- Successful FinTechs can use the situation to further expand their leading market position through acquisitions and cooperation.

# THE UPCOMING MATURITY PHASE IS CONFIRMED BY INCREASED AND MORE EXPENSIVE TRANSACTIONS – TIMING IS IDEAL FOR MARKET ENTRY

## Examples of transactions and consolidation in the market

*N26 and Vaamo: Two FinTechs work together, Handelsblatt.com, 26.07.2016*

*The FinTech startup N26 - formerly Number26 - has just received its banking license and customers can already place money via an app. The technology comes from another fintech. The companies are setting a trend.*

- *FinTech acquires FinTech*
- *SAVEDO will be connected to Deposit Solutions' open banking platform*
- *Focus on internationalization: Acquisition accelerates roll-out of B2C business in Europe, Savedo Press Release 14.08.2017*

*Hamburg, 14<sup>th</sup> of August 2017 – Deposit Solutions, the leading open-bank savings platform and operator of the ZINSPILLOT investment platform, acquired the Berlin-based portal for term deposits SAVEDO on 10<sup>th</sup> of August 2017.*

*FinLeap relies on institutional partners and empowers fintech ecosystem, FinLeap Presse Release 17.07.2017*

*The fintech company raised € 39M in a funding round led by international investors, including the German SIGNAL IDUNA group, the SBI Group from Japan, the Dutch NIBC bank and Hannover Re. FinLeap opens up new headquarters in Berlin and runs the German fintech hub, initiated by the German government*

*Blackrock invests in Munich-based Scalable Capital, Gründerszene, 19.06.2017*

*...The new money will make the startup crisis-proof ... the start up receives a total of EUR 30 million in a series B financing - a large sum for a German fintech. Old investors Holtzbrinck Ventures and Tengelmann are also participating in that round. The German Startups Group, however, sells its shares at a profit.*

*N26 receives USD 160 million, Gründerszene, 20.03.2018*

*It is one of the largest FinTech financing rounds in Europe: The well-known investors Tencent and Allianz X give USD 160 million to the Berlin startup bank N26.*

*Solarisbank: EUR 56.6 million for the banking platform, Wiwo Gründer, 08.03.2018*

*The Berlin-based Solarisbank ... received EUR 56.6 million in a current round of financing*

*First InsurTech exit to listed insurer: Wüstenrot & Württembergische acquires 75% of treefin! Munich startup, 12.01.2017*

*Deutsche Börse acquires currency platform, Handelsblatt.com, 26.07.2015*

*Deutsche Börse CEO Kengeter expands and acquires the currency platform 360T for EUR 725 million. Thus, 360T is probably the most expensive German startup in the financial sector.*

## TRANSACTIONS HAVE TAKEN PLACE PRIMARILY IN THE FORM OF EQUITY FINANCING SO FAR; M&A DEALS ARE ON THE RISE

### Top 10 financings in Germany

FinTech	Volume (EUR mn)	Year	Series	Comment
N26	130	2018	C	
Kreditech	82	2015	C	
Kreditech	80	2017	D	Estimate
Solarisbank	57	2018	B	
Smava	52	2018	N/A	Pot. debt portion
Finleap	39	2017	N/A	Incubator
N26	36	2016	B	
Finanzcheck	33	2016	C	
Raisin	30	2017	C	
Scalable	30	2017	B	

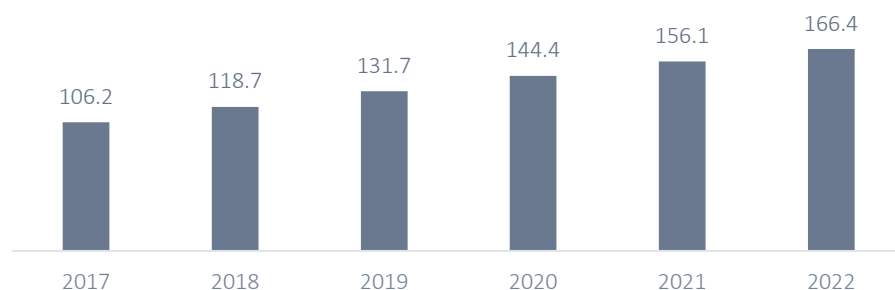
### Selection of most relevant FinTech M&A deals in Germany

Date	Target	Buyer	Share (%)
May 18	Value Management & Research AG	Hypoport AG	100
Feb 18	Lendico Deutschland GmbH	ING-DiBa AG	100
Aug 17	Savedo GmbH	Deposit Solutions GmbH	100
Jul 17	Concardis GmbH	Bain Capital LLC und Advent International Corporation	100
Jul 17	Fidor Bank AG	BPCE-Gruppe	100
Jul 17	Lendico Deutschland GmbH	Arrowgrass Capital Partners LLP	N/A
Apr 17	Ratepay GmbH	Bain Capital LLC, Advent International Corporation	100
Apr 17	Trust Bills	Deutsche Bank	12.5
Mar 17	Avaloq	Warburg Pincus	35
Feb 17	Billpay	Klarna Bank AB	100
Jan 17	Treefin AG	Wüstenrot & Württembergische AG	75
Jan 17	PayCash Europe SA	Daimler Financial Services AG	100
Jul 15	360T	Deutsche Börse	100

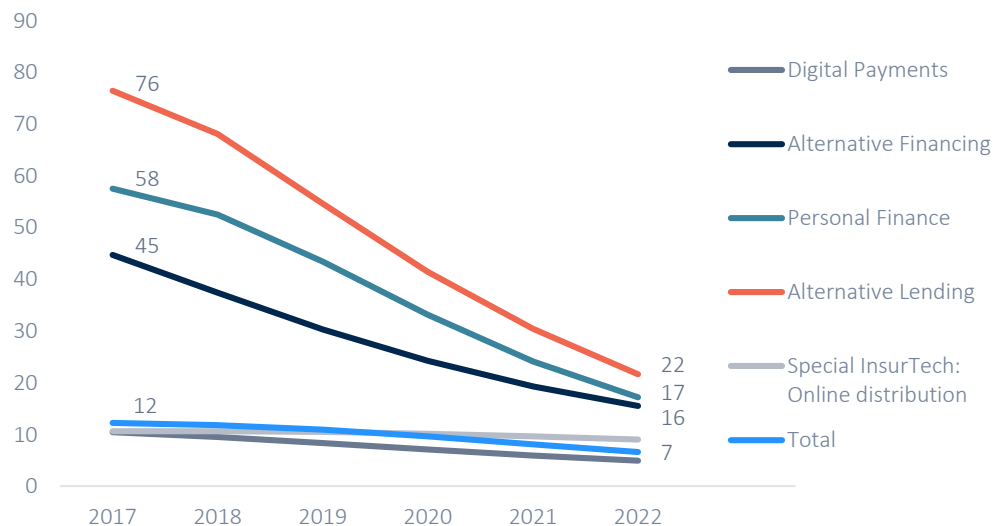
# THE GERMAN FINTECH MARKET IS ENTERING A PHASE OF TRANSITION; GROWTH IS DETERMINED BY MATURING BUSINESSES

## Forecasts for the FinTech market

### Business volume in EUR bn



### Growth in % is declining, but remains at a high level



- The business volume in the German FinTech market is estimated at EUR 119 billion in 2018 (EUR 138 billion including InsurTech); Digital Payments is the dominant segment with around EUR 110 billion.
- Increase according to forecast to approx. EUR 166.4 billion (including InsurTech EUR 194.4 billion) until 2022; this corresponds to annual growth of 9.5% (CAGR 2017-2022).
- The forecasted **growth** until 2022 is **slowing down on a high level**. In 2022 the average of all segments is still 7%; this is a clear signal for entering a phase of maturity.
- FinTech is extremely attractive compared to major reference markets: German GDP growth is estimated by the leading economic research institutes to be 1.8-2.1% in 2018; China aims for growth of 6.5% in 2018.
- Collaborations with banks and other companies become more and more essential to FinTechs in this situation.
- The analysis and valuation of FinTechs becomes more difficult due to the regulations and complexity of business models.
- To counter the cost and yield pressure, established strategic players need to:
  - Quickly digitize their processes and
  - Gain access to internet-savvy customers.
- Now is the best time for strategic cooperation partners and investors to enter the market:
  - Consolidation has not started yet.
  - Valuations are still low priced.
  - FinTechs have to strengthen their technical know-how.
  - FinTechs urgently need capital.





## B. SUMMARY AND OUTLOOK

---

A. FINTECH MARKET IN GERMANY

B. SUMMARY AND OUTLOOK

C. CLAIRFIELD INTERNATIONAL FINANCIAL SERVICES TEAM AND REFERENCES

# OUTLOOK

## Business Models and Technologies

### Business models under development

- Credit and payments were the **strongest businesses** in 2017. Next major developments are coming up in the areas of insurance (InsurTech), authentication (Identification), asset management (WealthTech), and real estate (PropTech).
- With regard to the **value chain**, a separation of providers is taking place: So far FinTechs which are in direct competition with financial institutions (disruptors) were dominant. Mature business models are increasingly transforming into functions that support other businesses (business enablers). They focus on a specific part of the value chain and offer this function to established institutes.
- The business-supporting FinTechs use so-called "open-banking" **solutions** that can be easily implemented in the processes of financial service providers ("plug-and-play"). The EU, US, and Australia already provide the appropriate regulatory framework (EU: PSD2).

### Technologies for the future

- Significant technological developments are expected from artificial intelligence (AI), data analytics (Big Data), the Internet of Things (IoT) and blockchain.
- AI also finds its way into the financial sector through machine-learning applications. Determining credit quality, marketing of insurance products, automating customer interaction, and improving investment algorithms are the best examples of this.
- Apart from cryptocurrencies, the financial sector is still in the early stages of blockchain. Currently, a selection of established institutes is working in the so-called R3 consortium on a common standard. Some institutes develop their individual blockchains.

## Market developments

- Chinese companies perform best and continue to be among the largest, most established and most powerful FinTechs. They occupy the top three ranks, and five are in the top 10. Overall, nine are among the top 100.
- However, a new development is occurring:
  - First, the field is more dispersed than before. The global diversification of suppliers has increased from 22 to 29 countries.
  - Secondly, the most pioneering FinTechs were discovered in the UK and EMEA, i.e. Europe, Africa and the Middle East. So far, the FinTechs from Silicon Valley and China have been the most innovative.
- The German FinTech market represents five of the top 100 FinTechs and is ranked second in Europe, behind the UK.
- Financing rounds and market capitalization of the participants are increasing worldwide, with a concentration on the best FinTechs. The top 50 FinTechs have collected USD 4.8 billion in 2017, compared to USD 27 billion over the entire life cycle.
- M&A intensity will increase at all levels. Established institutes will increasingly acquire new providers, but FinTechs will also join forces to achieve critical business volume.
- Companies from other sectors are entering the market. This not only applies to the large e-commerce and technology companies, but also increasingly to companies that provide financial services in addition to their core product offerings.
- For German FinTechs, it is important to make the right decisions now in order to secure sufficient capital base for product development, expansion into new markets, or for acquisitions and takeovers.

# SUMMARY AND RECOMMENDATIONS

## FinTechs

- Strong growth and continuous technological development are followed by a phase of consolidation and maturity. This is characterized by the formation of a small number of FinTech per sector.
- This phase is characterized by acquisitions and mergers, increased but selective capital allocation, market adjustments by bankruptcies and first exits by investors.
- In order to survive or to develop a leading position, the acquisition of further capital is required.
- Regulatory issues play an important role, but no longer the most important one. German FinTechs are in intensive contact with the authority BaFin and see the application for licenses as part of the market in which they want to be successful.



Three options for action for FinTechs:

- Adaptation of the business model, moving away from the end customer and towards the corporate customer.
- Expansion of the typical single-product offer and regional markets, e.g. through internationalization.
- Takeover of competitors and acquisitions of business volume.

## Mid-sized companies

- Banks and corporations attach higher importance to the digitization of internal processes than SMEs do.
- In addition, the interface to the customer is often the focus of all digitization efforts.
- Digitization does not mean the pure implementation of IT requirements, but an adaptation of the business model based on the company's own product or service.
- Corporations and SME's can benefit from the strong development of FinTechs in Germany and globally
- Due to the transition phase of FinTechs, the time to enter the market is ideal.



Corporations and SMEs should digitize their own financial and investment processes. The best ways to accomplish this is the acquisition of external fintech know-how through M&A, investments in firms, or partnerships. This results in lower operating costs and increased process quality. In addition, they can invest in this attractive market and attain interesting return opportunities.

## Investors

- Strategic investors and incubators are looking for the most sustainable concepts for their own product or investment portfolios.
- Venture funds and other investment companies are looking for high-yield investment opportunities that are characterized by strong growth potential.
- The multitude of emerging FinTechs and the range of increasingly similar business models complicate the identification of the right targets and increase the complexity of evaluation processes.
- In addition, competitive pressure among investors with regards to the best target companies is increasing.



Strategic investors should position themselves clearly according to whether they want to develop in-house, complete acquisitions or use external fund offers. Financial investors should adapt their concepts to the changing conditions of the FinTech market. Experts can help with market screening and selection of suitable partners. M&A processes and the brokerage of financing can be simplified by consultants.



## C. CLAIRFIELD INTERNATIONAL FINANCIAL SERVICES TEAM AND REFERENCES

---

- A. FINTECH MARKET IN GERMANY
- B. SUMMARY AND OUTLOOK
- C. CLAIRFIELD INTERNATIONAL FINANCIAL SERVICES TEAM AND REFERENCES

# WHO WE ARE

Clairfield International is the leading M&A advisor for cross border midmarket transactions



Founded in  
**2004**

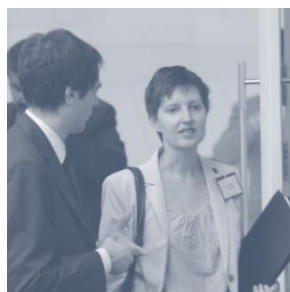


**500+**  
professionals

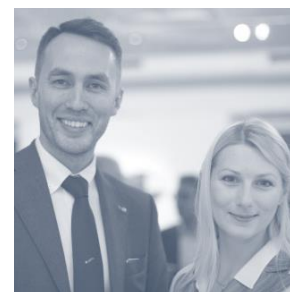


Industry access in  
**7 strategic  
sectors**

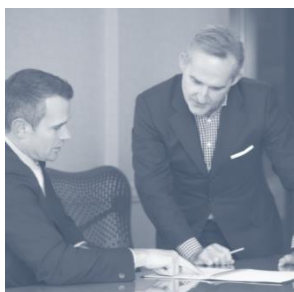
**Crossborder  
M&A**  
some 80% of our  
work



**Midmarket**  
focus



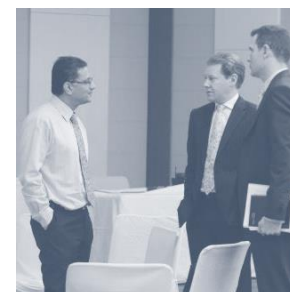
Additional  
expertise in  
**equity & debt  
advisory**



**Senior**  
level attention



**Holistic**  
and life cycle  
advisory approach



**Under-  
standing**  
of local cultures

# ASSISTING CLIENTS IN MID-SIZED, CROSS-BORDER TRANSACTIONS

## Our services

### Mergers & Acquisitions

- Design, initiation and execution of international and domestic acquisition opportunities
- Strategic partnerships and alliances
- Strategic alternative reviews
- Search for strategic and financial investors

### Disposals/ Divestitures

- Feasibility analysis
- Divestitures, spin-offs and carve outs
- Valuations and fairness opinions

### Capital solutions

- Financial sponsor transactions (MBO and LBO)
- Debt advisory: advisory in acquisition finance, debt financing, recaps
- Equity advisory: independent advisory in IPOs, rights issues and placings
- Strategic investor relations advisory

### Advisory

- Strategic advisory services, such as valuations and fairness opinions, market entry feasibility
- Advisory on strategic alliances, mergers, licensing and joint ventures
- Market studies
- Monitoring trustee

### Restructuring advisory

- Restructuring and recovery
- Special situations

## Our focus

### Mid-Market

Clairfield is one of the leading global M&A firms typically executing mid-sized transactions up to an enterprise value of 500 m€

### Cross-border

With partner offices in 50% of all OECD countries, Clairfield International covers 75% of Germany's most significant trade partners

### Long-term relationships

Our advice is embedded in long term relationships with corporates, family offices and private equity investors

## Our philosophy

### Sector expertise

The longstanding experiences of our partners in diverse industries in combination with outstandingly connected industry experts are enabling our clients to open up new strategic possibilities

### Confidentiality

Trust and integrity are essential values for our advisory services. Information are treated with highest discretion

### Seniority of the team

Senior involvement throughout all phases of a transaction is the single most important hallmark of our execution style and commitment to quality and prudent advice

### Independence

We own our business and act as entrepreneurs free of conflicts usually found in large multi-product firms

# OUR LOCATIONS

20+

COUNTRIES  
WHERE CLAIRFIELD  
IS PRESENT

400+

PROFESSIONALS

Amsterdam  
Atlanta  
Antwerp  
Barcelona  
Birmingham  
Brussels  
Budapest  
Copenhagen  
Dusseldorf  
Frankfurt  
Geneva  
Helsinki  
Istanbul

London  
Lyon  
Madrid  
Marseille  
Milan  
Nantes  
Oslo  
Paris  
Stuttgart  
Tel Aviv  
Valencia  
Vienna  
Warsaw

Mexico City  
Atlanta  
Miami  
Washington  
New York

Curitiba  
Rio de Janeiro  
Sao Paulo

35+

OFFICES

WORLDWIDE  
PRESENCE

Brisbane  
Sydney

# CLAIRFIELD INTERNATIONAL FINANCIAL SERVICES TEAM

## Expertise

The fintechs and financial services team at Clairfield is represented by about 45 professionals in 20 countries at all major financial centres and fintech hubs. We are working closely together in advising financial services businesses including FinTechs, banks and insurance companies, as well as private equity firms.

## Focus

- FinTechs and innovative financial services providers
- Venture capital and private equity
- Financial services and banks
- Insurance
- Asset management
- Family offices

## Selected team members

Team member	Location	Position
Adam Siwinski	Poland	Director
Alexander Bloom	Norway	Associate
Alexander Klemm	Germany	Vice Chairman
<b>Andre Waßmann</b>	<b>Germany</b>	<b>Senior Advisor</b>
Andrew Wheeler	Australia	Director
Brian O'Hare	Spain	Managing Partner
Bertrand Hermez	France	Partner
<b>Dirk Freiland</b>	<b>Germany</b>	<b>Managing Partner</b>
Fletcher Jewett	United States	Partner
Giuseppe R. Grasso	Italy	Partner
Hans Buysse	Belgium	Partner
Olly Laughton-Scott	United Kingdom	Partner
Onno Vos	Netherlands	Partner
Pablo Cervantes	Mexico	Managing Director
Paolo Zoppi	France	Partner
Piotr Kolodziejczyk	Poland	Partner
Tapio Tolvanen	Finland	Senior Partner
Vincius Oliveira	Brazil	Partner



## REFERENCES: FINTECH

Poland

Buy



acquired



E-payment

Finland

Sale



sold



to



Mobile payment service

Poland

Buy



acquired



E-payment

Poland

Sale



sold a stake in



to



E-payment

Austria

Sale



was sold to



E-payment

Netherlands

Buy



acquired



Mobile and web applications services

Poland

Sale



sold



to



Electronic card systems

France

Sale



was sold to



E-payment

UK

Sale



was sold to



Money transfer and payment solutions

Sweden

Sale



was sold to



Payment service provider

## REFERENCES: FINANCIAL SERVICES (1/2)

Germany

Sale

**FAS** Financial Solutions Experts  
Improve Your Opportunities

merged with

**wts**

Advisor to the seller

Financial service provider

Denmark

Sale

**ALECTIA**

merged with

**NIRAS**

Advisor to the seller

Business and financial services

UK

Sale

**RCIB** Right Choice Insurance Brokers

acquired

**ERS**

Advisor to the seller

Financial institutions

UK

Sale

**CBL** insurance

acquired

**pfp** Professional Fee Protection  
insuring against tax investigations

Advisor to the seller

Business services financial institutions

UK

Sale

**global reach**™ partners

acquired

**FC EXCHANGE** for global currency

Advisor to the seller

Business & financial services

UK

Sale

**integro**

acquired

**Croton Stokes Wilson Holden**

Advisor to the seller

Business & financial services

Mexico

Buy

**Te Creemos** Financiera Popular

acquired

**FINCA**™

Advisor to the buyer

Business and financial services

UK

Sale

**Police Mutual**

merged with

**FORCES** Financial

Advisor to the seller

Personal lines financial services

US

Sale

**THOMAS MILLER**

acquired

**Osprey** UNDERWRITING AGENCY LIMITED

Advisor to the seller

Processing of business documents

## REFERENCES: FINANCIAL SERVICES (2/2)

United Kingdom

Sale



acquired



Advisor to the seller

Claims management solutions  
for risk managers

Sweden / Denmark

Buy



acquired



Advisor to the buyer

Debt collector

UK

Buy



acquired



Advisor to the buyer

Hire purchase

Finland

Sale



acquired



Advisor to the seller

Commercial vehicle leasing

UK

Sale



acquired




Advisor to the seller

Financial advisory


# REFERENCES: TECHNOLOGY, MEDIA AND TELECOM

US/ Belgium


Sale



Was acquired by



a Dasish division of




Advisor to the seller


Digital asset management

Russia

Buy



acquired



Advisor to the buyer

Internet based financing

Austria

Sale



acquired



Advisor to the seller

Online price comparison

Poland

Buy



acquired




Advisor to the buyer


Electronic payment

Sweden

Fairness Opinion



acquired



Advisor to the seller

Accounting software

Italy

Debt restructuring



Debt restructuring






Advisor to the management


Payment technology

Germany

Sale



acquired



Advisor to the seller

Data collection and analysis

Norway

Sale



acquired



Advisor to the seller

Controlling software

France

Sale

Founders & Management



shareholders of



sold a majority stake to




Advisor to the seller


Online registration & ticketing

The Netherlands

Acquisition












acquired



Advisor to the buyer

Life insurance software

# REFERENCES: VENTURE CAPITAL

<p>Germany</p> <p>Financing</p>  <p>invested in</p>  <p>Advisor to the management</p> <p>Plant engineering</p>	<p>Germany</p> <p>Financing</p>  <p>invested in</p>  <p>Advisor to the management</p> <p>Software tracking</p>	<p>Germany</p> <p>Financing</p>   <p>invested in</p>  <p>Advisor to the management</p> <p>Digital lighting systems</p>	<p>Germany</p> <p>Financing</p> <p>PRIVATE INVESTORS</p> <p>invested in</p>  <p>Advisor to the management</p> <p>HR platform</p>	<p>Germany</p> <p>Financing</p> <p>Strategic Investor</p> <p>invests in</p>  <p>Advisor to the management</p> <p>Cashback</p>
--	--	--	---	--

# HOW THE MARKET RATES US

League Table Global 2016\*

Rank	Company	# of deals
#1		357
#2		335
#3		231
#4		212
#5		208
#6		191
#7		166
#8		158
#9		139
#10		138
#11		129
#12		104
#13		102
#13		102
#15		100
#16		95
#17		91
#18		88
#18		88
#20		80

League Table Global 2017\*

Rank	Company	# of deals
#1		416
#2		303
#3		248
#4		230
#4		230
#6		206
#7		173
#8		171
#9		168
#10		165
#11		152
#12		146
#13		137
#14		128
#15		125
#16		121
#17		101
#17		101
#17		101
#20		100

League Table Europe 2016\*

Rank	Company	# of deals
#1		321
#2		264
#2		264
#4		206
#5		187
#6		164
#7		123
#8		109
#9		106
#10		98
#11		89
#12		87
#13		86
#14		85
#15		80
#16		77
#17		74
#18		68
#19		62
#20		61

League Table Europe 2017\*

Rank	Company	# of deals
#1		329
#2		286
#3		212
#4		203
#5		184
#6		181
#7		153
#8		146
#9		112
#10		105
#11		97
#12		95
#13		91
#14		86
#15		83
#16		79
#17		72
#18		71
#19		64
#20		60

## FINTECH AND TMT PARTNERS IN GERMANY



### Dirk F. Freiland

Dirk Freiland has more than 20 years of experience in M&A and corporate finance. Prior to joining Clairfield he was co-founder of a medium sized M&A company in Southern Germany. Before, he worked as senior manager at Accenture (formerly Andersen Consulting) in Strategy and Change Management where he was in his last function responsible for building up the M&A team and activities for Germany, Austria and Switzerland. Further milestones in his career were a small service company he built up from 20 up to 120 people within 14 months and Alcatel (Paris) where he worked in research and development. Dirk Freiland studied Mechanical Engineering, Electronics and Computer Science of the University of Applied Sciences of Esslingen/Stuttgart and Paris.

E-mail: [freiland@de.clairfield.com](mailto:freiland@de.clairfield.com)



### Andre Waßmann

Andre Waßmann has more than 16 years of experience as a strategy, M&A and corporate finance expert and as a strategy consultant in the financial sector, including positions at Accenture, Commerzbank and KGAL - an asset manager focused on real estate, infrastructure, renewable energy and aviation. In his role as managing director of two KGAL subsidiaries, until June 2018, Mr. Waßmann was responsible in particular for the strategic development and implementation of innovative business areas, M&A and venture capital investments. During this time, he built up the business model of a digital FinTech platform for the KGAL Group. As a result, he has an excellent network of FinTech companies, think tanks and incubators, as well as investors in the international finance and FinTech markets. Andre Waßmann graduated from business studies at the University of Oxford and in Ravensburg and holds an MBA (Said Business School).

E-mail: [wassmann@de.clairfield.com](mailto:wassmann@de.clairfield.com)



### Dirk Middelhoff

Dirk Middelhoff holds a degree in Business Law (LL.B) with a focus on corporate finance and more than 10 years experience in corporate finance, business development and strategy. Until 2008, Dirk Middelhoff worked for the listed EMC Corporation, headquartered in Boston, one of the 25 largest IT companies in the Fortune 500. There he led national and international projects such as, Vodafone, Deutsche Bank, Metro etc.. At last head of strategic alliances and mergers & acquisitions. After 2008 Dirk Middelhoff worked as Director for a medium-sized M&A consultancy firm with focus on technology companies. Mandates of German and international companies from technology sectors among others, software, consulting, photonic on the buy or sell side as well as startups in the fields of software, internet and media with focus of founding and financing.

E-mail: [middelhoff@de.clairfield.com](mailto:middelhoff@de.clairfield.com)

## CONTACT

Dirk Freiland                      Managing Partner, Stuttgart, [freiland@de.clairfield.com](mailto:freiland@de.clairfield.com)

Andre Waßmann                Senior Advisor, Stuttgart, [wassmann@de.clairfield.com](mailto:wassmann@de.clairfield.com)

### German offices

Office Stuttgart  
Mörikestraße 11  
D-70178 Stuttgart  
  
Tel.: +49 (711) 620079 - 0  
[stuttgart@de.clairfield.com](mailto:stuttgart@de.clairfield.com)

Office Frankfurt  
Mainzer Landstr. 33a  
D-60329 Frankfurt am Main  
  
Tel.: +49 (69) 707969-0  
[frankfurt@de.clairfield.com](mailto:frankfurt@de.clairfield.com)

Office Düsseldorf  
Roßstraße 92  
D-40476 Düsseldorf  
  
Tel.: + 49 (211) 917396-81  
[duesseldorf@de.clairfield.com](mailto:duesseldorf@de.clairfield.com)

### International offices

#### Europe

Clairfield Belgium  
Antwerp  
Brussels

Clairfield Denmark  
Copenhagen

Clairfield Finland  
Helsinki

Clairfield France  
Lyon  
Paris  
Marseille  
Nantes

Clairfield UK  
Birmingham  
London

Clairfield Israel  
Tel Aviv

Clairfield Italy  
Milan

Clairfield Netherlands  
Amsterdam

Clairfield Norway  
Oslo

Clairfield Austria  
Vienna

Clairfield Poland  
Warsaw

#### Americas

Clairfield Russia  
Moscow

Clairfield Sweden  
Stockholm

Clairfield Spain  
Barcelona  
Madrid  
Valencia

Clairfield Switzerland  
Geneva

Clairfield Hungary  
Budapest

Clairfield Brazil  
Curitiba  
Sao Paulo

Clairfield Chile  
Santiago de Chile

Clairfield Mexico  
Mexico City

Clairfield US  
Atlanta  
Miami  
New York  
Washington

#### Asia and Australia

Clairfield Australia  
Brisbane

Clairfield China  
Hongkong