



FINTECH QUARTERLY

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WELCOME

This is our first quarterly round up of all things fintech. We aim to pick out the key news and analysis to deliver insights from the field to SMEs.

UK fintech growth is at an all time high. Investment has expanded by 500% over the last five years, succeeding growth levels in the US (170%). The combination of a strong financial market in London, top-class education opportunities and investor activity has made the UK one of the best places in the world to build a global fintech.

This is reflected in our round-up of the biggest fintech raises in Q4 of 2020, as we highlight what's next for some of the UK's most promising startups.

Although UK fintechs must still look to the horizon and how the continued development of Brexit and the Covid-19 outbreak will effect the sector this year. We caught up with Jeremy Takle and Ben Harvey of Pennyworth in this quarter's Q&A to discuss how digital banks can face the challenges of 2021.

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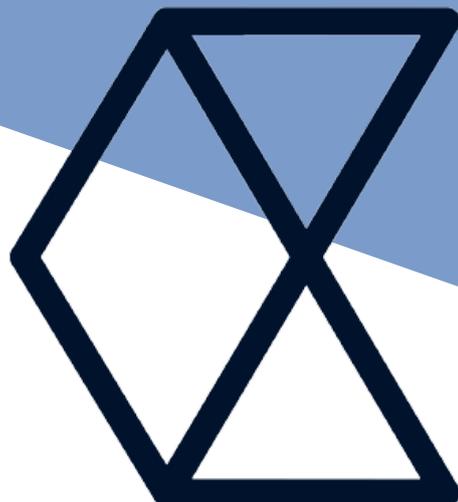
Last quarter in numbers

Tech unicorns and the decline in first round equity

Five biggest UK fintech raises in Q4 of 2020

Q+A with Jeremy Takle and Ben Harvey of Pennyworth

Founders of the digital bank Pennyworth predict the future of fintech in 2021.



In January, Checkout.com became Europe's top tech unicorn after tripling its valuation to \$15 billion

LAST QUARTER IN NUMBERS

70

The number of fintechs in the world
valued at \$1bn or more
(Source: Sifted)

\$4.1bn

Capital investment in UK fintech
companies for 2020
(the UK accounted for
408 of those deals)
(Source: FinTech Magazine)

58%

Level of decline in total value of
first round UK fintech equity
investments between 2019 and
2020
(Source: Finextra)

5.5yrs

Average time it took the UK's 8
fintech unicorns to achieve a \$1bn
valuation
(Source: Sifted)

\$15bn

Valuation of Checkout.com,
Europe's top tech unicorn
(Source: CNBC)

FIVE BIGGEST UK FINTECH RAISES OF Q4 2020

#1: Molo raises £266m to expand digital mortgage lending.

Molo, a digital mortgage lender, announced in October that it had raised a further £266m in debt and equity funding. The new funding will be used to accelerate growth through additional online lending, investment in its proprietary technology and new product propositions.



#2: GoCardless raises £71.8m to accelerate open banking investment.

Global bank debit network GoCardless completed a \$95m Series F funding round led by Bain Capital Ventures. GoCardless plans to combine open banking-enabled bank-to-bank payments with its debit payments network to boost the visibility and speed of payments, at lower cost than card payments.



#3: Liberis adds £70m funding and venture debt to grow embedded business finance platform.

Business finance platform Liberis has secured £70m in financing from long-term partners British Business Investments, Paragon Bank, BCI Europe, as well as financing and venture debt from new partner Silicon Valley Bank. The new funds will be used to fuel company growth, launch new products and markets, and provide additional customer financing solutions.



#4: Outfund, the lending fintech, raises £37m.

Outfund, which is changing the way online businesses raise funds, announced the close of a £37m late seed round of capital, including debt and equity. The round was led by Fuel Ventures and TMT investments alongside key industry angels such as Chris Adelsbach. The funds will be used to offer bigger lending rounds to more businesses, as well as for internal new products and team growth.



#5: PrimaryBid announces \$50m Series B investment round.

PrimaryBid, a fintech platform that connects retail investors with public companies raising capital, has closed a \$50m Series B investment round. Proceeds will be used to build-out PrimaryBid's team and technology platform, and support expansion into international markets. Investors included the London Stock Exchange Group, Draper Esprit, OMERS Ventures, Fidelity International Strategic Ventures and ABN AMRO Ventures.



Financial Technology Pioneers

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Jeremy Takle and Ben Harvey - founders of digital bank Pennyworth - have a shared 40 years of experience building banks globally. As the first in the series of Q+As with fintech pioneers, we ask how Brexit uncertainty and tech giant competition will shape the space in 2021.

What is Pennyworth?

JT: We like to think of Pennyworth as the first digital bank for the 'aspiringly affluent', young professionals and other busy people who we recognise want to get more out of their money.

BH: Traditional banks are offering very low interest rates and an impersonal service; neo-banks, despite building an excellent digital experience, are battling for current account relationships and not focusing on customers' needs.

I think that's where Pennyworth is different. We're going to offer really rewarding products across savings, investing and borrowing and we don't expect them to switch current accounts to get it. By using open banking, customers can link their current accounts so they get an oversight of their finances while we help them tackle those bigger financial goals.

What are your expectations for the fintech scene in 2021?

BH: We certainly expect more questions to be posed of unprofitable business models. Trading conditions will be difficult, at least for the first half of the year and traditional banks are continuing to reduce costs, which will make it difficult for them to break their models. The fintech environment is still strong, so I fully expect to see new startups coming to market - Pennyworth will be one of them. I

Jeremy Takle and Ben Harvey



Founders of digital bank Pennyworth reflect on the future for Fintech in 2021

I think we'll also see an acceleration in open banking. A lot of lenders are bringing it to market - Covid has accelerated that in a way. As more consumers grow familiar with open banking, I think we'll see a rapid increase in adoption. Also, with further use cases in things like open finance, I think there's a real opportunity for more startups to use open banking to deliver innovative business propositions.

How could the impact of Brexit affect the fintech market this year?

JT: For UK fintechs, the ecosystem has remained very strong. That's from a combination of the large financial services firms in London, great universities and business schools, a strong startup community and experienced investors who sit around that. Nothing that Brexit is going to do will stop that ecosystem from flourishing.

Tech giants are creeping into financial services market. How will this develop in 2021?

JT: While the 'big four' are trying to move into select pockets of the market, I see them mainly doing that through partnerships, I don't think they're going to pursue the regulated banking business. Open banking and payments is becoming increasingly democratised and not an area that banking will hold on to. But it is an area with very little revenue attached to it - big transactions but small margins - so it seems natural that companies with a large scale, and large amounts of purchases, will want to own more of that layer.

What does success look like for Pennyworth in 2021?

JT: We're preparing to launch our beta app in collaboration with the Pennyworth pioneers and hoping to achieve authorization from regulators by the end of the first quarter. That will drive the agenda for the rest of the year as we build up the platform, hire more of the core team. Whether we're ready to launch at the end of this year depends on working through these processes. Regardless, we intend to have an early beta app in production, more of our user experience built out and excellent banking products ready to go.

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