News from the month of April

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Another exciting month for financial technology ("fintech") is wrapping up. Our team at Motive Partners has been diligently following the themes, news, and trends across our ever expanding and evolving industry. In this month's new format for Motive Insights, we'll highlight the key events in the industry from April and discuss our take on what this means for the fintech landscape. We'll dive in on M&A to assess how Investors in the space are thinking about the topic, specifically highlighting industry successes and emerging trends, such as Goldman's acquisition of NextCapital. Next, we'll look into how Operators are tackling new developments in embedded finance, through a close look at Adyen's foray into the space. And finally, we'll analyze how Innovators are approaching emerging trends in fintech, such as sustainability, by taking a closer look at Giesecke + Devrient's recent move.

Investors

Investors in fintech have been focused on M&A in April. We've observed some friendly competition from the big banks to ramp up their fintech offerings, Morgan Stanley, JP Morgan, and, most recently, Goldman Sachs have all begun to bolster their tech-enabled lineup in recent years by acquiring their young and nimble fintech counterparts. Earlier this month Goldman Sachs announced its acquisition of NextCapital, a Chicago-based fintech company that provides automated advice to corporate retirement plan participants.

In a press release, **Goldman Sachs, CEO, David Solomon** said:

> " This acquisition furthers our strategic objective of building compelling client solutions in asset management and accelerating our investment in technology to serve the growing defined contribution market."

Moves like this demonstrate that the banks are aiming to use technology to diversify revenue by expanding distribution and relationships with key groups such as corporate employees and bulking up their offerings in money management, which is typically considered a steadier revenue source. As we've previously discussed, we have observed banks turning to their own employees for diversified revenue across their money management offerings and Goldman's move in this case follows that trend. Furthermore, M&A moves such as these define the trend we've been observing in the fintech space of bringing capabilities in-house versus outsourcing, which had been the preference of the industry in previous years.

And this trend shows no signs of slowing down as we head deeper into the second quarter. Widening our view and looking back to the first quarter of 2022, financing activity for private fintech companies maintained its pace following a bustling 2021. Global fintech funding reached $37.4 billion over the first quarter of 2022, compared to a total of $144.0 billion in 2021.

For a broader look at M&A across the fintech industry, we were pleased to see the Bank of America Financial Technology Industry Update feature our own recent deals in their April edition. In fact, Motive's deals were the only two spotlighted in the piece – the **sale of Motive's portfolio company Global Shares to J.P. Morgan and the acquisition of BETA+ from the London Stock Exchange Group** both being covered as key industry transactions.

Operators

This month, we see Operators, the firms of scale, continue to tackle the opportunity within embedded finance. We've written on this many times as the story continues to shape the experience of Operators in fintech. Keeping pace with constant innovation is proving to be a challenge for these key actors, but they are rising to the occasion. Over April, we've observed several players turn to embedded finance tools to diversify product offerings and retain customer base.

Recently, we've seen embedded finance go beyond buy-now-pay-later to provide a wider range of financial services and products in-house. Their expansion aims to broaden their reach to consumers who are demanding more personalization than ever before. The race is on to capture this growing market; tech platforms and financial institutions are both leading the charge. The winners could be those that 1) make it easy for partners to integrate into; 2) provide economic benefits to these partners; and 3) recognize that this is a business-to-business-to-consumer ("B2B2C") model, whereby the bank or tech platform provides the product but does not necessarily control the customer or customer experience. In late March, we read about Adyen, a leading Dutch payment company that allows businesses to accept e-commerce, mobile, and point-of-sale payments, announcing its expansion beyond payments to build embedded financial products.

VP of Banking and Financial Products at Adyen, Thom Ruiter explained the move:

> " By building our banking infrastructure, as a part of the single platform, from the ground up, we remove the limitations of legacy financial systems, enabling Adyen to deliver the power of a bank combined with the adaptability of a fintech."

Ruiter highlights the flexibility Adyen can achieve in the absence of the limitations of legacy financial systems. In our view, this aligns well with what we see is one of the most paramount benefits of fintech innovation: the ability to remove barriers and enable customers to have a seamless experience. In our view, that is a sign of successfully embedded finance. Whether or not Adyen's new expansion will achieve that remains to be seen, however, in our view, the potential is bright and tracks along strong trends we've observed as fintech embraces the potential of embedded finance.

Banking-as-a-service is another model that builds on embedded finance. It allows digital banks and other financial technology companies to connect with banks' systems directly through application programming interfaces (or APIs) and build banking offerings on top of regulated infrastructure. Along the same lines as what we've seen from Adyen, companies such as Sweden's SEB can use this technology to leverage the power and capabilities of a bank, without being one themselves. SEB has made waves in fintech this month by signing their first customer, a fintech startup from retail conglomerate Axel Johnson, onto the product.

For these types of operators, such as SEB and Adyen, the draw of embedded finance is clear. Diversifying the revenue-base is a way to remain at the forefront of the embedded finance game, a market forecasted to reach $7 trillion by the end of the decade.

Other notable transactions in April 2022 include Fiserv's completed acquisition of Finxact for $650M and Bolt announcing its acquisition of Wyre for $1.5B. Fiserv's acquisition of Finxact advances the Fiserv digital banking strategy, expanding the company's leading account processing, digital, and payments solutions, and positions Fiserv as the partner of choice for clients looking to scale, accelerate and expand the digital banking experiences they deliver to their customers. Bolt's acquisition of Wyre, which is anticipated to close later in 2022, comes amid growing demand for purchasing goods and services with cryptocurrency and the opportunity of Web3. Both transactions reflect fintech companies growing need to expand deeper into adjacent verticals and improve client experiences outside of their core capabilities.

Innovators

This month, fintech asserted itself as the industry to watch for sustainability innovation. As a sector whose impact is driven by innovation through the creation of new technologies as well as improvements on existing technology, fintech is poised to positively influence corporate behavior by offering innovations that are both profitable and promoting sustainable business improvements.

Recently, we read JPIN's recent research that 43% of those looking for investment options in the UK are only interested in sustainable technology and programming. With this market sentiment in mind, sustainability and fintech will continue to become deeply intertwined. To not only meet the market demand for increased personalization, but also actively combat climate change, we've observed innovators across the globe creating new

solutions to combat climate endangerment through personalized digital banking offerings that attract the eco-conscious consumer. For example, fintech's such as Helios, which recently raised €9 million in a seed round, are raising capital on the back of a mission to limit global warming and leading the space as one of the first digital eco-banks.

Maeva Courtois, co-founder of Helios commented:

> " We are leading the ecological revolution in banking services. If 10 years ago neobanks invented a digital banking experience focused on mobile usage and instant notifications, with Helios we are changing the rules of banking towards more transparency and a real commitment to climate action. For €6 per month, our users can manage their accounts easily from their mobile or desktop and reach their dedicated financial advisor while having a positive impact on the preservation of the environment."

Moreover, fintech has long fostered the ability for companies to personalize and customize products for its consumer. Sustainability can be seen as just another metric to design products upon. Particularly in April, we have seen the rise of ultra-personalized banking experiences that connect emotionally with customers. We're seeing banks recognize this new, values-driven demand and tailor it's product offerings accordingly. This month, Giesecke + Devrient announced its partnership with Patch, a leading carbon credit digital marketplace, to provide bank customers with a seamless payment solution, that actively helps them manage and neutralize their carbon footprint. Patch provides a large array of carbon removal projects that meet quality standards of third-party verifiers. G+D's partnership with Patch is exemplary of the eco-conscious personalization trend and, in our view, a strong indicator that the innovators in fintech are tracking the demand of the sustainable consumer.

From our perspective, the marriage of sustainability and fintech playing out in the market is a win-win. If this trend continues, we expect to see consumers enjoying products tailored to their specific needs and preferences, in this case sustainability related, while innovators benefit from the sustained, profitable flow of business from these consumers.

What's next?

As we've just discussed, April served us some exciting developments in fintech and we expect to see more growth in the space as we head into May. In addition to the exciting M&A and industry trends we regularly watch for, we look forward to seeing thought leaders gather throughout the month at in-person conferences such as the U.S. Fintech Symposium in Orlando, Florida, and FinovateSpring in San Francisco. Our own Motive Partners team will be attending the Milken Institute Global Conference in Los Angeles early next week. We look forward to reviewing these in the May edition of Motive Insights, set to hit your inboxes on the 29th.

Are you attending the Milken Institute Global Conference? The Motive Investor Relations team would love to see you. Please reach out to Sam Tidswell-Norrish to connect with the team.

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