MOSSADAMS

2024

Fintech Investment Monitor

Fintech Dealmaking Remains Strong Despite Chaotic Landscape

CONTENTS

SECTION ONE

Executive Summary

Fintech dealmaking remained stronger than many anticipated, even amid a chaotic year marked by geopolitical headwinds, economic growth stutters, regulatory shifts, and more. The overall tide of private capital investment contained multiple varying trends, such as the slump in aggregate deal value for strategic mergers and acquisitions (M&A) but saw resilience in overall volume. Likewise, there was a near-record sum of private equity (PE) buyout value in 2024, even as counts held steady.

From an industry perspective, fintech continued its inexorable push across borders and across different subsegments. Digital assets regained some popularity as digital currencies held by central banks continued to be studied, consumers sought ever-friendlier options for lending and loyalty programs, and competition surged among traditional financial services companies and banks. Larger fintech companies (fintechs) continued to spur innovation in alternative investments' options, lower fees, and more.

Venture capital (VC) dealmakers remained the most active proportionally but in a more opportunistic fashion, as financing metrics remained strong, but deals were fewer and farther between, suggesting selectivity. Large transactions still occurred, just not in the multibillion-dollar range, producing a healthy tally of $43.4 billion invested for 2024.

In a similarly opportunistic fashion, PE firms continued snapping up larger, more mature fintechs at a healthy clip. 2024 included some outlier deals, including take-privates, boosting aggregate deal value to a near-record $61 billion. After the past few years of various business and economic challenges, PE firms have been more active in targeting publicly listed fintechs that have opted to go private and operate with less financial market volatility impacting core business lines.

Looking ahead, it is likely that fintech will continue to make inroads at the nexus of artificial intelligence (AI) and financial services infrastructure, as firms look to trim the overall costs of back-office and support functions given economic uncertainty. Innovation frontiers will result from unions of AI, cybersecurity, and fintech, as well as from improving alternative investment offerings for retail investors given the increasing likelihood that the bull market for equities over the past few years is unlikely to be replicated.

TAFT KORTUS
Partner
Technology Practice Leader

TRAVIS SMITH
Partner
Fintech Practice Leader

SECTION TWO

Fintech Industry Trends

FINTECH ADOPTION

In the post-pandemic era, the acceleration of fintech adoption has hardly slowed. Spurred by the policies implemented worldwide during the COVID-19 pandemic, fintech adoption hasn't slowed even as the pandemic itself has receded, for a variety of reasons.

For example, **digital payments** for in-app purchases in the United States have reached 60% since 2019, the last year before the COVID-19 pandemic. Beyond the US, fintechs like Halan Microfinance Bank **plan to invest** further in Pakistan, while more and more banks and incumbent financial services companies **partner with fintechs** as well, collaborating on improving shared security standards and best practices for such embedded finance.

Fintech's entrenchment is primarily due to its easing of frictions between consumers and businesses—both on the front end and back end—which has only improved with further adoption, due to scaling advantages.

FINTECH BENEFITS

These benefits span from improved front-end user experiences—with the proliferation of competing budgeting and investing platforms jockeying for market share as a key example—to outright disruption, such as the expansion of peer-to-peer lending start-ups in Brazil driving up banks' loan volume while **decreasing interest charges**.

Meanwhile, consumers are also benefiting from such competition even further given the now nearly universal practice of low- to no-fee checking and savings accounts at various fintechs such as Chime and Robinhood. This key trend is likely to continue even as changes in political administrations and agency heads worldwide increases scrutiny of the overall financial health and safety of fintechs offering very consumer-friendly terms.

> Fintech continues to provide a wide swath of benefits but with risks that are due for consideration.

SECTION THREE

Key Fintech Innovation Frontiers

OPEN BANKING AND EMBEDDED FINANCE

The revised Payment Services Directive (PSD2) in Europe has shown the pros and cons of open banking, which is paving the way for fintechs elsewhere to push into traditional banking territory. This will allow fintechs to capture further market share among consumers, who tend to appreciate the ease of interoperable data-sharing schema as long as security is preserved.

Embedded finance is also empowered by promotion of open banking, especially given the expansion of companies such as Bilt Rewards, which offers a credit card underpinned by Wells Fargo and explicitly promotes local consumption, rent, and mortgage payments via that card. It's likely that regulatory scrutiny of such embedded finance options will increase, but that will most likely result in revamped protocols for regulators and consumer safeguards, given the popularity of these options.

THE NEXUS OF AI, CYBERSECURITY, AND FINTECH

As noted **in a study** by the United States Department of the Treasury, the usage of AI in financial services will have widespread implications, such as reducing the cost of back-office functions, but in particular its potential to combat rising cyber-threats could be critical.

For example, one firm "developed AI models trained completely on the firm's own internal historical data, which enabled it to reduce fraud activity by an estimated 50%." Potential initiatives could include an industry association's standardized fraud data clearinghouse of sorts for AI security system training, specifically for financial services customers.

INVESTING PLATFORMS' ACTIVITIES

As shown in **Barclays and PitchBook research**, alternative investment firms are increasingly targeting high-net-worth individuals, as well as retail investors more broadly, with bespoke financial products and services—for example, a **private credit exchange**-traded fund. What's sometimes missed in these headlines is that the sheer technical flexibility and usability of fintech infrastructure and payment rails is what makes the creation of such products possible.

BESPOKE RETAIL OFFERINGS ADVANCE

Although business challenges still exist, many maturing fintechs are advancing the **customization of fintech offerings** for consumers. Examples include insurtech companies like Lemonade or ManyPets utilizing different datasets to assess and personalize rates for different products.

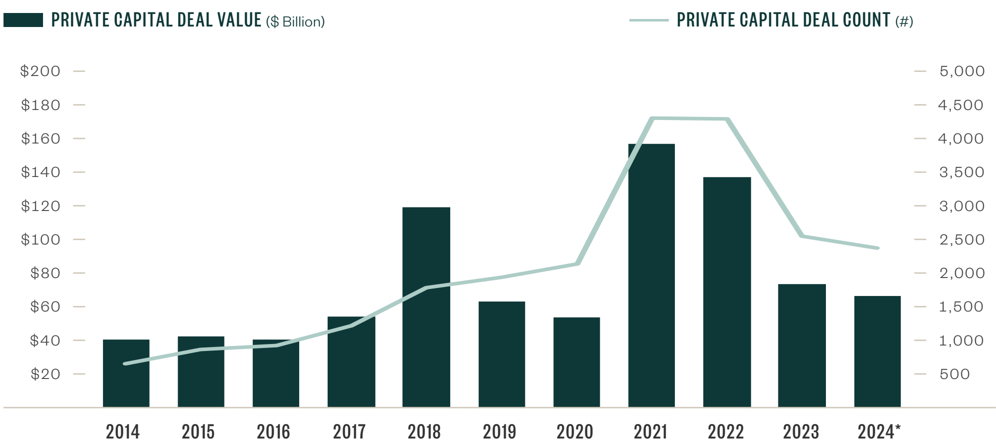
EXPERIMENTS WITH DIGITAL CURRENCY

Although very much still in progress, central banks' exploration of digital currencies looks to be steadily advancing, with **a recent publication** from the International Monetary Fund positing it's possible that adoption of such currencies could potentially dampen volatility for reserves usually affected by retail payments activity. Yet, such assets would have to be balanced with traditional holdings.

Market Trends

PRIVATE INVESTMENT WORLDWIDE AND ACROSS BORDERS: VARYING POCKETS OF GROWTH PERSIST, MARKING SIGNS OF FINTECH'S MATURATION

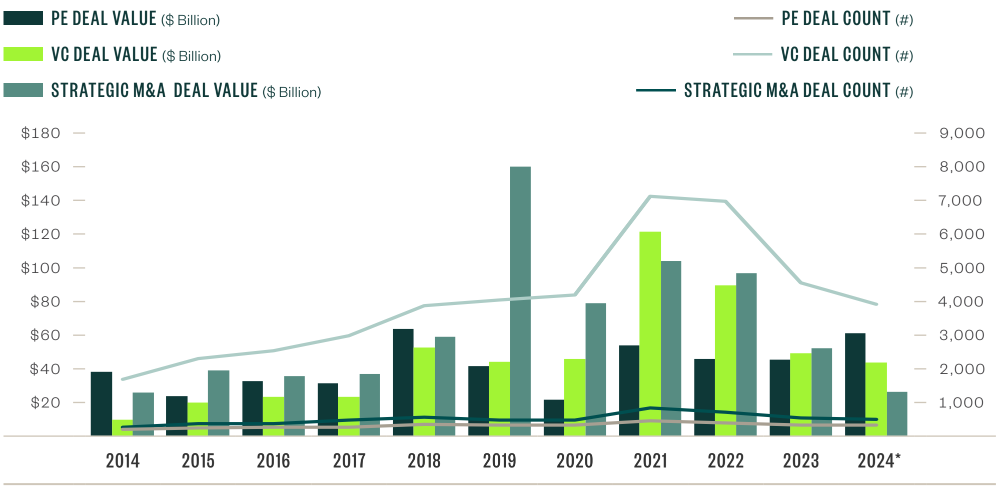
FIGURE 1: Fintech Cross-Border Private Investment Activity



	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024*
VALUE	$40.0	$42.2	$40.0	$53.8	$119.4	$63.1	$53.4	$157.3	$137.6	$73.2	$66.3
COUNT	638	862	918	1216	1781	1941	2143	4324	4302	2549	2376

*As of 12/31/2024

FIGURE 2: Fintech Private Investment Activity



*As of 12/31/2024

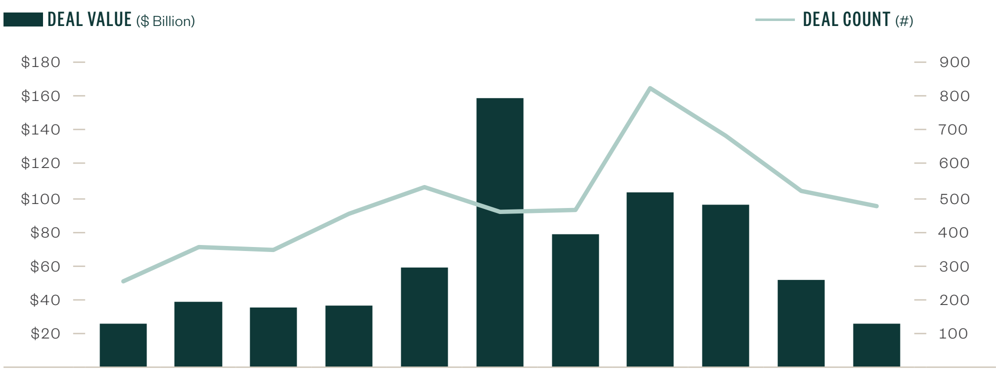
Across the globe, private capital dealmaking in fintech notched $130.2 billion in 2024 across just over 4,700 completed transactions. That latter figure was the lowest total since 2017, as was the aggregate value of deals struck since the gargantuan $279.4 billion tally of 2021.

However, unpacking private capital transactions by type introduces some nuance into the easing of fintech investment. For example, strategic M&A has never seen aggregate value surpass the blockbuster deal-skewed tallies of 2019, but its volume has evened out to pre-2021 levels—relatively healthy averages, in other words. Meanwhile, PE firms conducted no less than $61 billion worth of fintech buyouts worldwide in 2024, the second-highest aggregate on record.

Cross-border dealmaking is also often useful as a barometer of dealmakers' willingness to tackle transactions even in the face of geopolitical volatility, higher average M&A costs due to regulatory headwinds, and more. The fact that fintech cross-border dealmaking was relatively robust last year, with close to 2,400 transactions completed for the fifth-highest tally on record and a total deal value of $66.3 billion, is striking. Players such as Monzo and Alan raked in hundreds of millions from international consortia of investors, while acquisitions proceeded as well, and no less than $28.3 billion in cross-border buyouts closed. In short, although not at record levels, fintech dealmaking remains vigorous.

STRATEGIC M&A: EVEN AFTER THE ERA OF MEGAMERGERS, BUYERS ARE STILL WILLING TO BE OPPORTUNISTIC

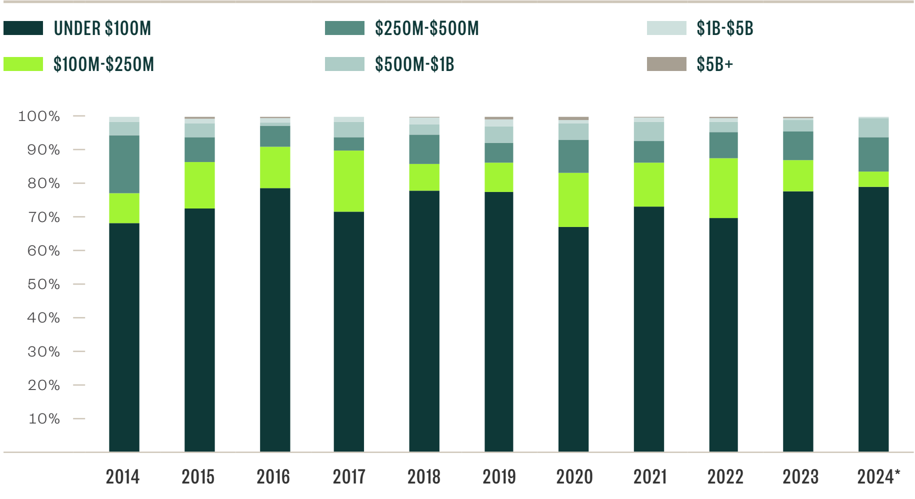
FIGURE 3: Fintech Strategic M&A Activity



	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024*
VALUE	$25.5	$38.7	$35.4	$36.8	$59.0	$160.5	$79.1	$103.9	$96.7	$51.8	$25.9
COUNT	255	358	349	458	537	461	467	832	690	526	478

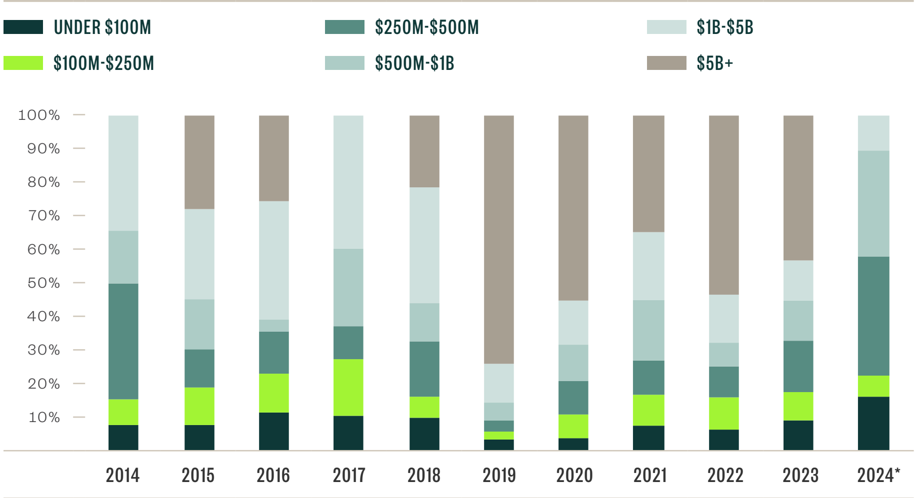
*As of 12/31/2024

FIGURE 4: Share of Fintech Strategic M&A Count by Size



*As of 12/31/2024

FIGURE 5: Share of Fintech Strategic M&A Value by Size



*As of 12/31/2024

Examining the flow of strategic M&A within fintech by size, 2024 saw a slight increase in the proportion of deals sized under $100 million, back to what could be considered more normal levels, if on the higher end. However, multibillion-dollar transactions remained fewer and farther between, as the volume of deals between $250 million and $1 billion expanded to the highest level since 2020.

What these trends signify, amid the general slowdown in strategic M&A, is fintech's overall maturation in a volatile market.

Buyers are no longer willing to pay pricey multiples—population sizes are insufficiently robust to cite with statistical confidence, but EV/EBITDA fintech multiples in North America and Europe notched a significant downswing in 2024 relative to outliers in 2023, while EV/revenue figures slid to 3.4x, the lowest level since 2016.

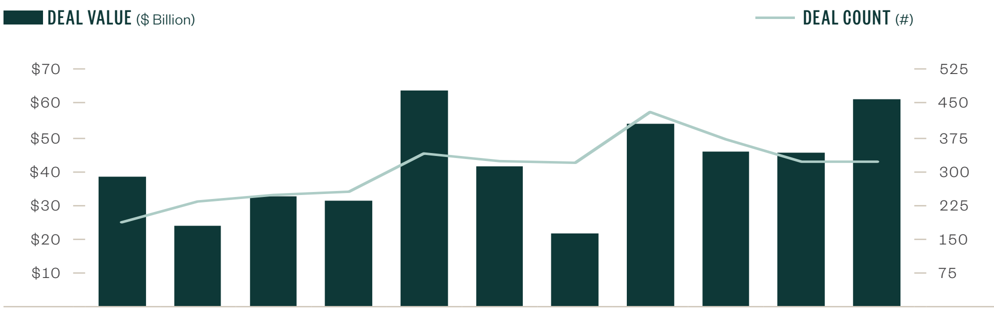
However, given that valuations have declined, buyers are still willing to be at least somewhat opportunistic—hence the proportion of deals that closed in those midranges, with PitchBook extrapolating an estimated 49 fintech deals last year closed between $250 million and $500 million, for example. Vertex and Thomson Reuters' purchase of Nordic fintech Pagero, an information network with multifunctional applications, for an estimated $429 million is a relevant example.

Breakouts of strategic M&A deal value by proportion reinforce this finding, as the massive concentrations of deal value in transactions sized $5 billion or more remained hefty from 2019 until last year but have since virtually vanished. This is also typical of maturation in a given vertical, as consolidation occurred apace in the past few years, but now the bulk of fintech players are engaged in post-consolidation absorption of acquired units and assets, plus non-acquisitional growth.

For example, Mastercard's collaboration with Booking.com for cross-border and embedded payments facilitation showcases how strategic partnerships are replacing outright acquisitions or financial considerations.

PE FIRMS ENGAGE IN BUYOUT SPREE ACROSS FINTECH SUBSEGMENTS

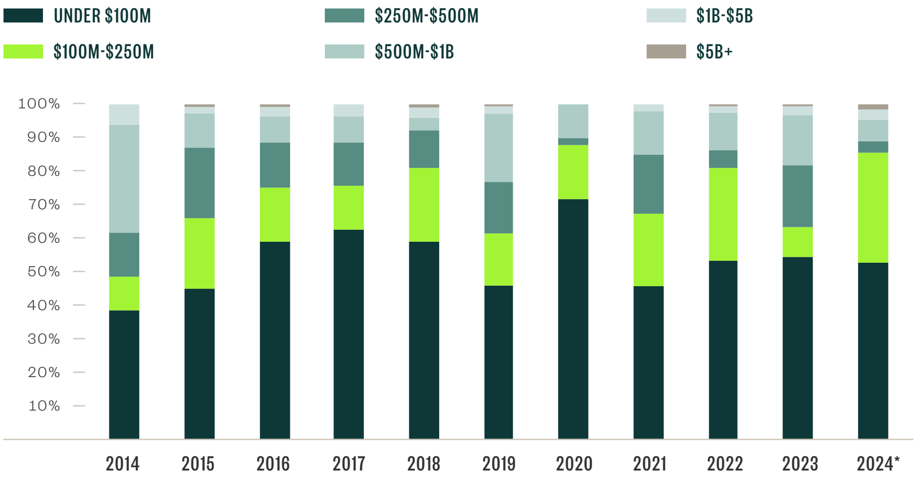
FIGURE 6: Fintech PE Deal Activity



	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024*
VALUE	$38.2	$23.7	$32.3	$31.0	$63.6	$41.2	$21.4	$53.8	$45.6	$45.2	$61.0
COUNT	186	231	246	253	338	321	317	429	369	320	320

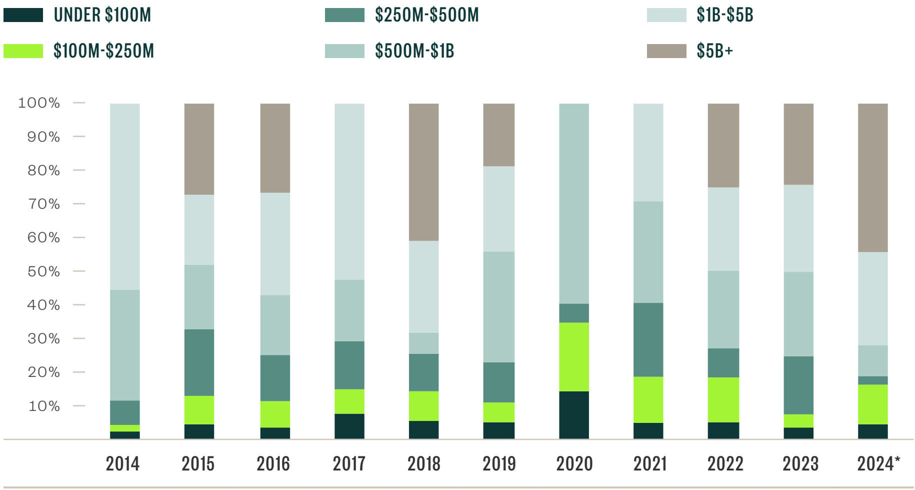
*As of 12/31/2024

FIGURE 7: Share of Fintech Buyout Count by Size



*As of 12/31/2024

FIGURE 8: Share of Fintech Buyout Value by Size



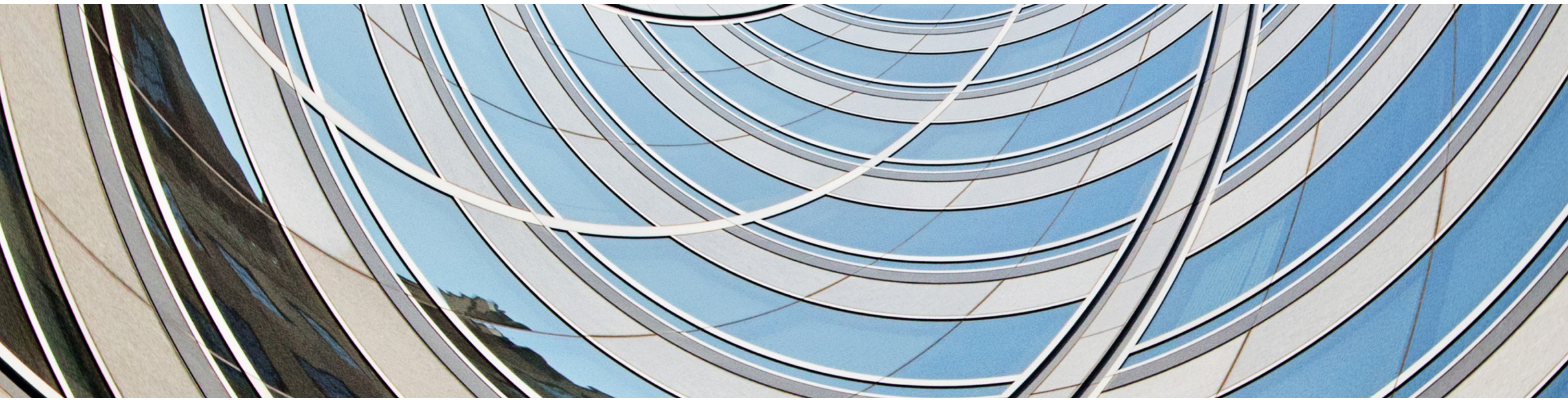
*As of 12/31/2024

Even in a time of heightened costs of capital, PE buyers were more active than nearly ever before in fintech last year, striking well over 300 deals for an extrapolated $61 billion. Some outlier deals skewed that tally, like Bain Capital's purchase of wealth management tool provider Envestnet for $4.6 billion.

However, the preponderance of PE buyouts in fintech is often another telltale sign of overall fintech maturation, and PitchBook analysis estimated the highest proportion on record for deals in the range of $100 million to $250 million last year.

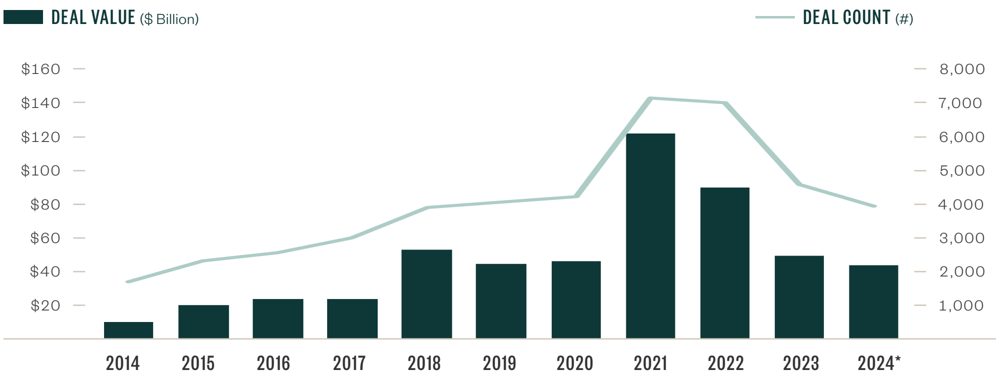
As seen in the spotlight below, PE firms with extensive financial services portfolios or larger ranges of overall assets under management often target more mature companies in given verticals once a degree of market competition and concentration has occurred. After such phases, PE investment theses often are best deployed given that various fintechs may have reached plateaus in growth or face significant competition from much larger incumbents after consolidation. As a result, they could benefit from PE firms' deep pockets and operational or strategic acumen.

That PE firms are willing to engage so actively in buyouts within those size ranges, even with higher leverage costs than in the preceding decade and a half, testifies to the attraction of fintech consolidation amid multiple subsegments in the middle market. The estimated $200 million purchase of online payments ecosystem MultiSafepay, which primarily serves small-to-midsized businesses, by PE-backed Ant Group, serves as a good example.



VC INVESTMENT: AS VC ACTIVITY SUBSIDES TO PRE-2021 LEVELS, CAPITAL CONCENTRATES IN FEWER, RISK-ADJUSTED DEALS

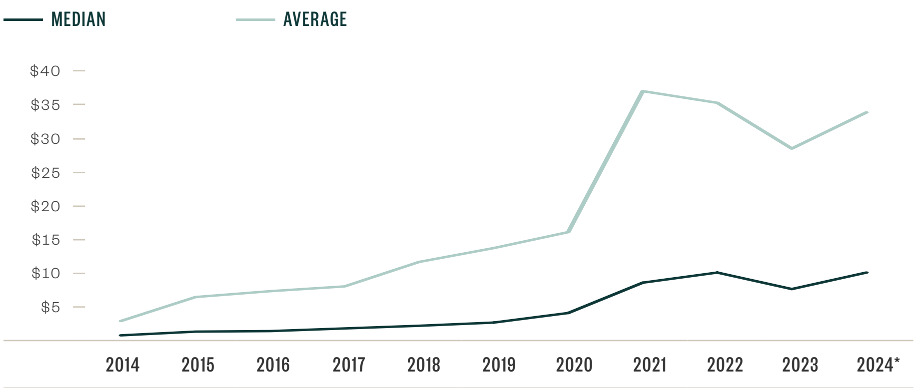
FIGURE 9: Fintech VC Deal Activity



	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024*
VALUE	$9.6	$19.7	$23.1	$23.1	$52.5	$44.0	$45.6	$121.6	$89.4	$49.0	$43.4
COUNT	1669	2291	2530	2976	3875	4032	4200	7122	6981	4553	3919

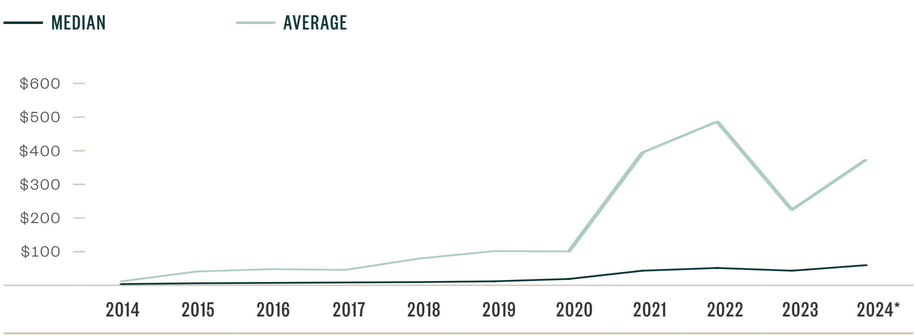
*As of 12/31/2024

FIGURE 10: Average and Median Fintech VC Deal Value ($ Million)



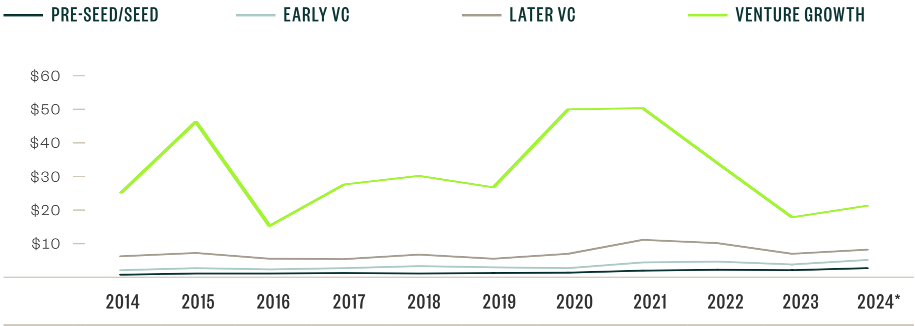
*As of 12/31/2024

FIGURE 11: Average and Median Fintech VC Pre-Money Valuation ($ Million)



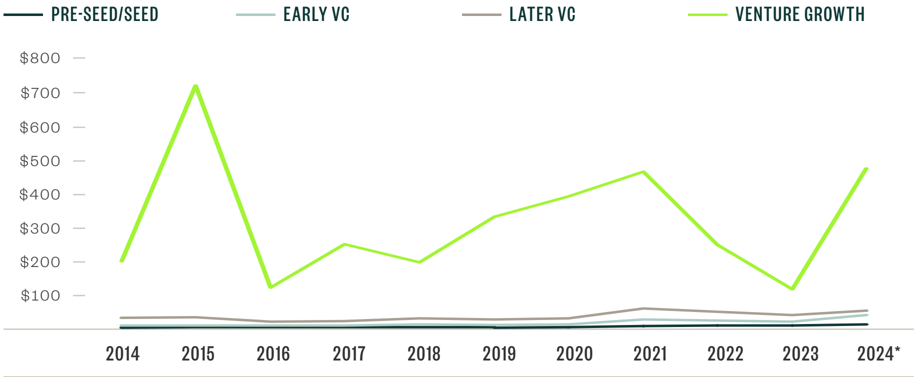
*As of 12/31/2024

FIGURE 12: Median Fintech VC Deal Value ($ Million) by Stage



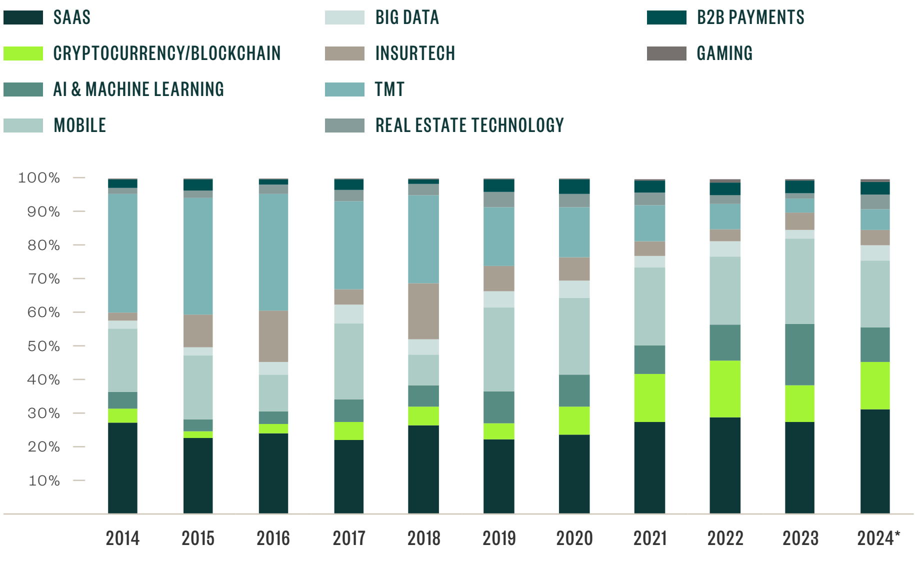
*As of 12/31/2024

FIGURE 13: Median Fintech VC Pre-Money Valuation ($ Million) by Stage



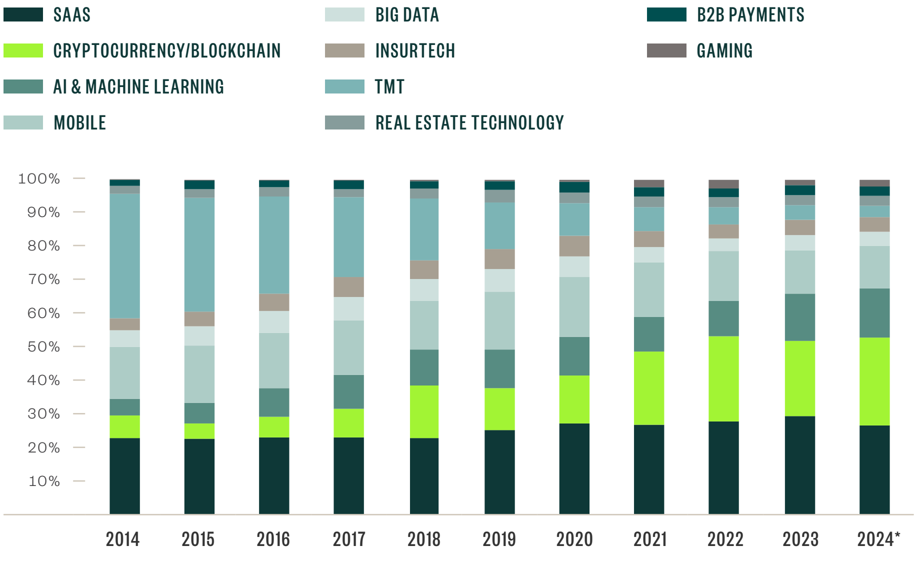
*As of 12/31/2024

FIGURE 14: Share of Fintech VC Deal Value by Vertical



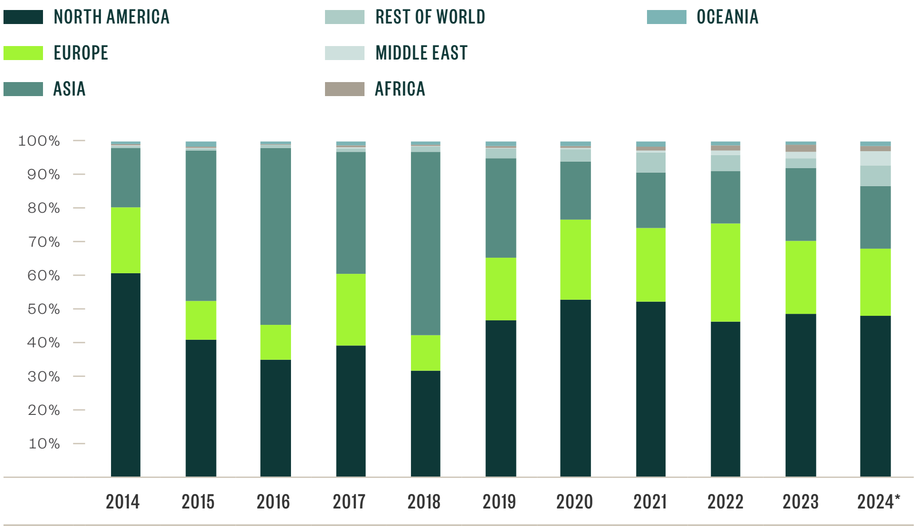
*As of 12/31/2024

FIGURE 15: Share of Fintech VC Deal Count by Vertical



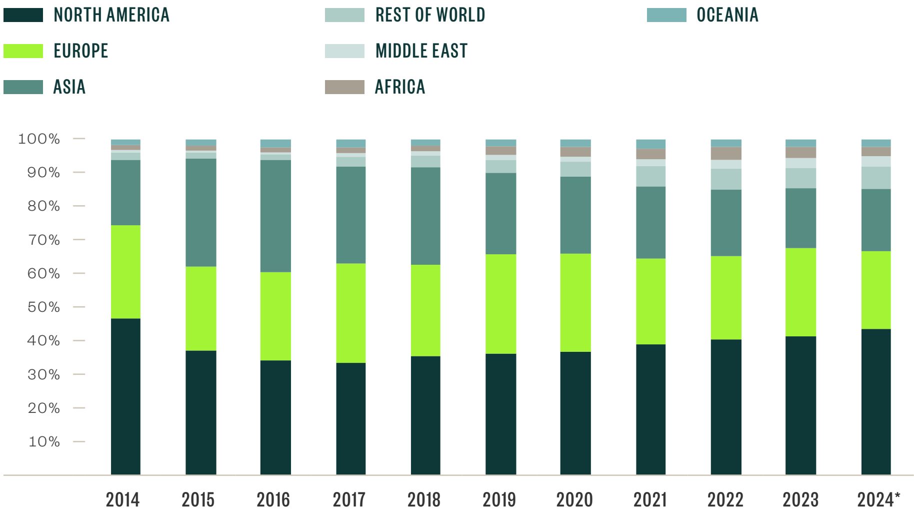
*As of 12/31/2024

FIGURE 16: Share of Fintech VC Deal Value by Region



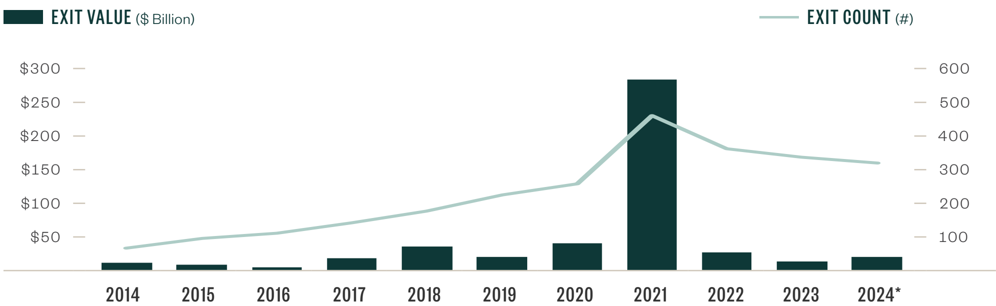
*As of 12/31/2024

FIGURE 17: Share of Fintech VC Deal Count by Region



*As of 12/31/2024

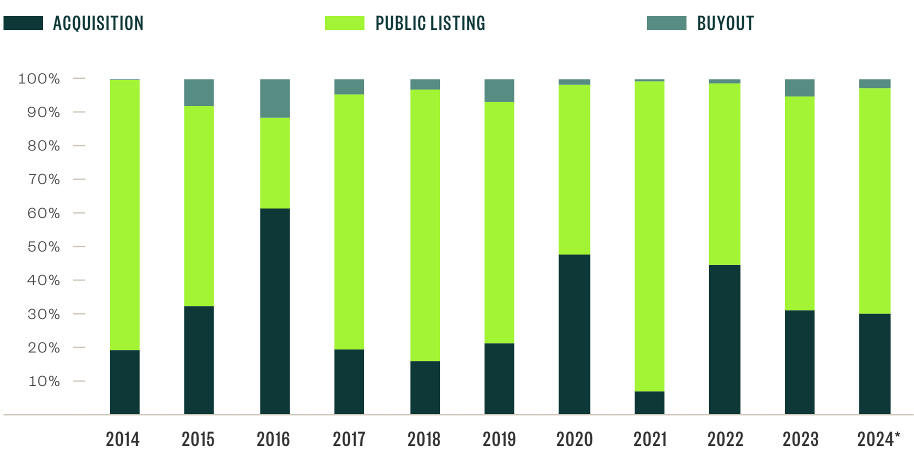
FIGURE 18: Fintech VC Exit Activity



	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024*
VALUE	$10.6	$7.5	$3.6	$17.0	$34.8	$19.2	$39.1	$283.9	$25.8	$11.8	$18.7
COUNT	64	94	108	139	175	222	255	460	360	336	318

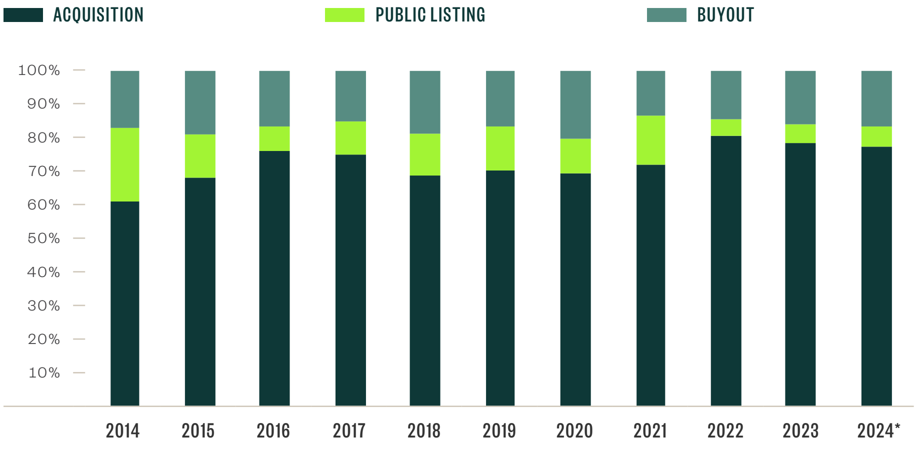
*As of 12/31/2024

FIGURE 19: Share of Fintech VC Exit Value by Type



*As of 12/31/2024

FIGURE 20: Share of Fintech VC Exit Count by Type



*As of 12/31/2024

Venture financing is sluggish worldwide relative to previous heights from a few years ago, but for fintech in particular, it's important to emphasize that VC activity tallies are still robust.

Financing metrics bear this out, with both the median and average VC deal size at nearly all-time highs, while median financings by stage notched records last year, with the pre-seed/seed median at $2.5 million and the early-stage median at $5 million. Growth-stage valuations even rebounded to a high of $473.2 million.

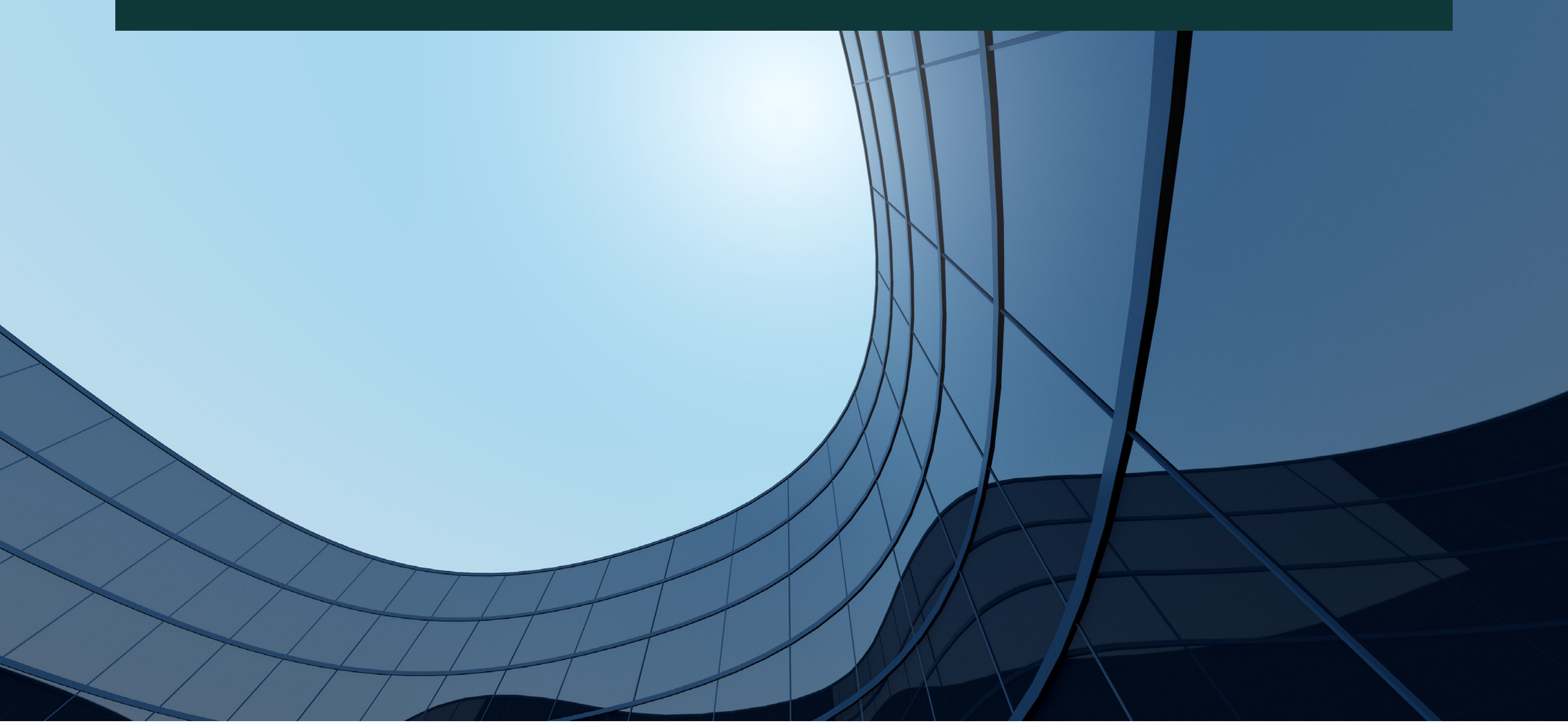
Amid the still-healthy tallies of fintech VC activity, moreover, VC deal counts are still concentrated in major fintech subsegments, primarily digital assets, AI, and software as a service. VC-invested proportions are somewhat different, with growth in insurtech, real estate tech, and gaming, in particular, between 2023 and 2024, even if relatively modest.

Looking at select transactions, it's clear that a key driver of fintech's health in VC dealmaking is the convergence of fintech's maturation across different domiciles and borders as well as in its subsegments. For example, the over $300 million financing of digital banking application Ualá in Argentina, the decentralized contract platform Monad raising $225 million, and the physician wealth management platform Earned Wealth closing $200 million, among many others.

The proportion of deal value jumped in the Middle East between 2023 and last year, driven by some outlier transactions, but volume primarily remains concentrated in Asia, Europe, and North America, as it has though at least the prior half decade.

Gathering these disparate trends into context, it's clear that fintech maturation, even at the market stages at which VC firms are primarily active, has been proceeding to the point that its evolution and expansion across borders is drawing consistent capital infusions to suit multiple different VC firms' investing theses. Even in a relatively volatile global economic landscape, VC investors are still staying active within the fintech ecosystem.

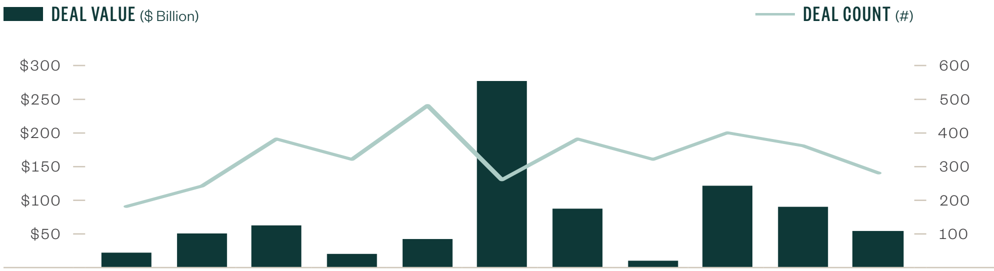
In a closing note for VC, it's worth remembering that the relative health of fintech exit activity has likely aided considerably in the ongoing resilience of VC firms in the vertical. Although aggregate exit value may not seem enormous at $18.7 billion worldwide, well over 300 exits were still completed last year, suggesting a measure of robust liquidity is still flowing to financial backers, founders, and employees.



SECTION FIVE

Spotlight: Take-Privates Continue

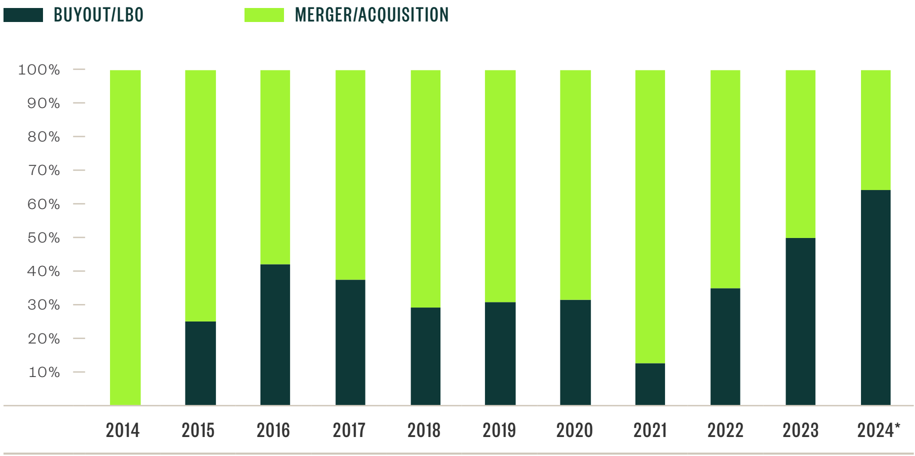
FIGURE 21: Fintech Public-to-Private Activity



	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024*
VALUE	$6.3	$15.0	$18.5	$5.8	$12.6	$83.1	$26.1	$2.8	$36.4	$26.7	$16.1
COUNT	9	12	19	16	24	13	19	16	20	18	14

*As of 12/31/2024

FIGURE 22: Share of Acquisitions (Count) of Public Fintech Companies by Type



*As of 12/31/2024

Public-to-private deal activity was likewise in vogue in 2024, if not quite at the levels observed previously. However, looking at 2022 to 2024, 52 take-privates of fintechs occurred for just over $79 billion in aggregate. That timeframe and the rising frequency of take-privates for fintech is no coincidence, as equity markets among others have experienced heightened volatility since the Russian invasion of Ukraine and the aftershocks of the COVID-19 pandemic.

Moreover, many fintechs that raised vast sums in private markets and then deferred going public continued to pose potent enough competition for publicly traded fintech counterparts that the latter opted to go private to restructure, innovate, reduce overall costs, and improve business fundamentals for at least a time.

Looking at the slew of take-privates just last year, select deals such as NCR Voyix's digital banking unit's sale to Veritas Capital, which thereupon branded the unit as digital banking platform Candescent, also showcases how PE firms' opportunistic targeting of underappreciated units within sprawling conglomerates has been the impetus for other fintech take-privates. The divestment of Banco BPM's payment operations unit is another such example.

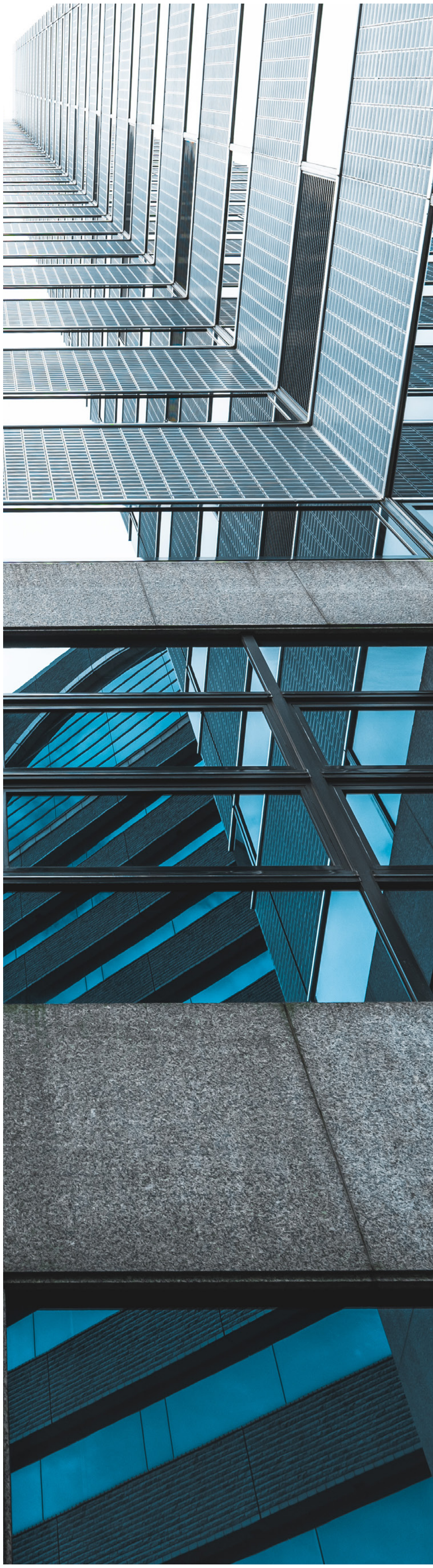
Elsewhere, as seen in the record proportion of take-privates that are engineered by PE buyout shops, it's clear that, for the right fintech opportunities, PE fund managers are willing to work through the relatively complex procedures of delisting for the right opportunities, especially as some fintechs may have seen their share prices tested significantly in a much more challenging market as of late. Hence the buyout of customer engagement and integrated payments platform InvoiceCloud for $2.6 billion last year, just three years after its IPO in 2021, which had valued the company at close to $4 billion at that time. InvoiceCloud wasn't going bankrupt, but it likely could forge ahead more sustainably with a strategic partner like veteran software investment firm Vista Equity Partners to finetune operations and provide significant financial cushions.

SECTION SIX

Methodology

Standard PitchBook methodology regarding venture transactions and venture-backed exits was used for all datasets, and similarly for PE or other private investment types. Full details can be found **here**.

Fintech is defined in this report using PitchBook's dedicated fintech industry vertical.



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