



KOREFUSION ACG FinTech Panel

San Francisco Panel Slides

For 4 April 2017

THE ONGOING EVOLUTION OF FINTECH

FinTech 1.0

FinTech 2.0

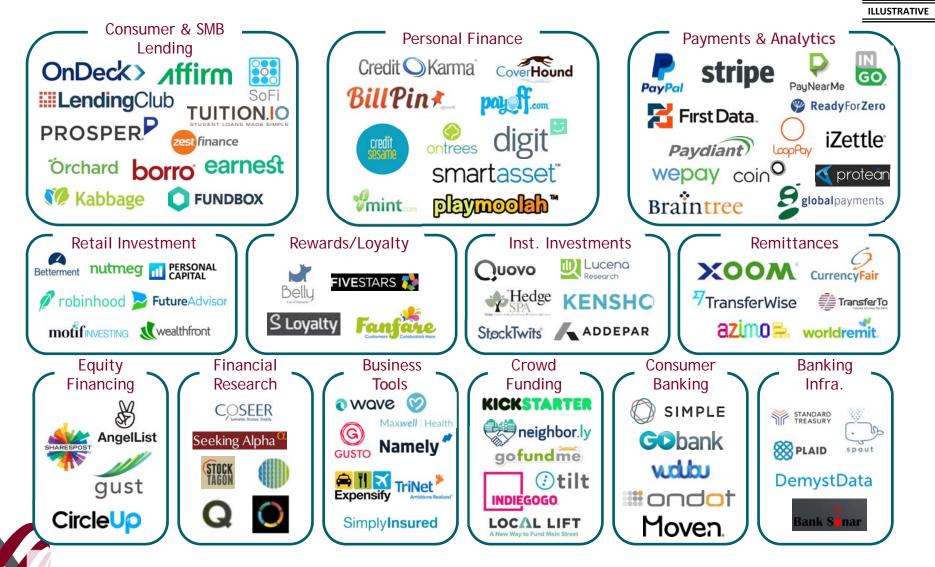
- Rapid identification and exploitation of opportunities to leverage technology to disintermediate traditional financial services
- Primary focus on technology proof-of-concepts and undisciplined consumer acquisition models.

- Consolidation within FinTech industry verticals, primarily driven by:
 - Startup cannibalization seeking volume growth
 - Banks buying innovation
- Global consumer technology companies entering the financial services space with mixed results
- The introduction of proprietary bank owned payment networks
- Primary focus on business model development and rationalizing consumer acquisition costs



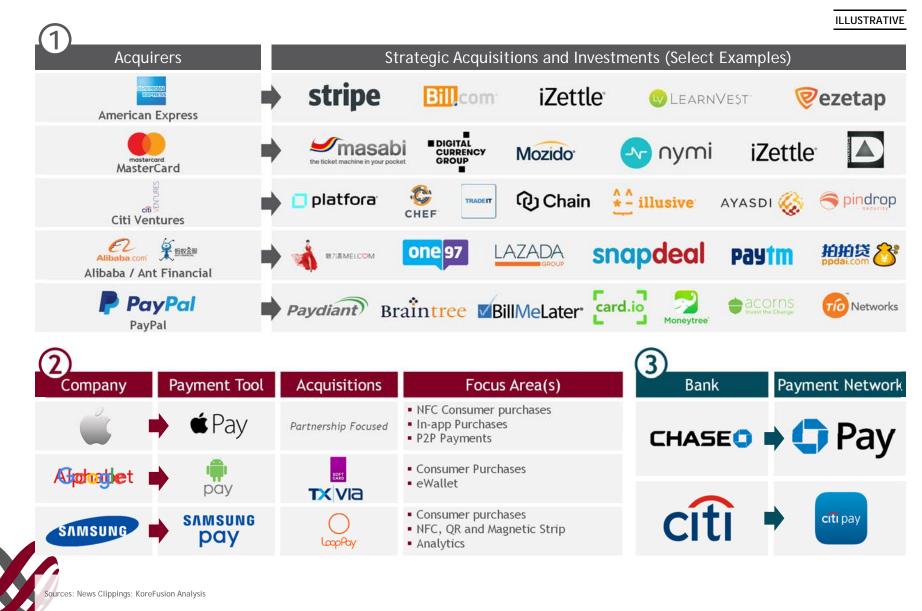
FinTech 3.0

FINTECH 1.0: FINTECH COMPANIES UNBUNDLED & DISINTERMEDIATED TRADITIONAL FINANCIAL SERVICES BY ADDRESSING REAL PAIN POINTS

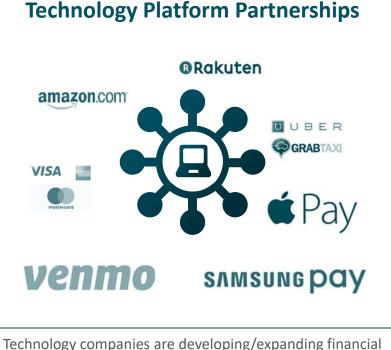


ource: Venture Scanner, CB Insights, News Clippings, KoreFusion Analysis

FINTECH 2.0: 1) CONSOLIDATION WITHIN FINTECH VERTICALS, 2) THE ENTRANCE OF TECHNOLOGY PLAYERS, AND 3) BANK OWNED NETWORKS



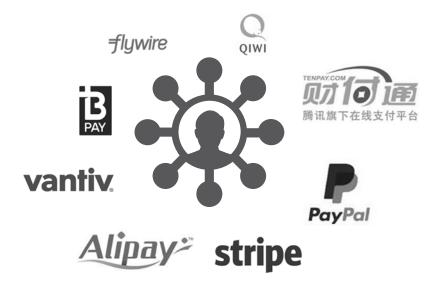
FINTECH 2.0: TECHNOLOGY & DISTRIBUTION PARTNERSHIPS ARE THE PRIMARY DRIVERS OF GROWTH AMONG MATURE PLAYERS



echnology companies are developing/expanding financia solutions as part of their broader technology platforms, leveraging their embedded consumer base to attract merchants and/or financial institutions to generate valuable transaction data







Established FinTech players, especially in the mobile wallet, eCommerce, and SMB financing spaces, are seeking out distribution partnerships to help them broaden their footprint and leverage new customer acquisition channels

FINTECH 3.0: LOOKING FORWARD, AN INCREASING PORTION OF FINTECH DEALS WILL BE INFLUENCED BY OVERSEAS TRENDS

U.S. and European markets are becoming increasingly saturated with FinTech solutions, whereas ASEAN and LATAM are poised for explosive growth due to strong macroeconomic drivers impacting their FinTech sectors

Western Europe

Second highest region for deal flow, but the financial services regulatory environment flattens margins, dampens ROI rates, and minimized natural barriers

The uncertainty generated by Brexit over the coming years adds an unnecessary layer of volatility to FinTech investments in the UK and EU

India & China

While the scale of these two markets are undeniable, investment opportunities are complicated due to regulations, bureaucracy, and limitations on repatriation of profits

U.S.A

Region with largest deal flow but investor saturation has created high valuations and very limited defensible first mover opportunities

Growth Regions Macro-level Pressures Limited/Opportunistic



ASEAN

Currently the third largest region for deal flow with multiple dislocation opportunities driven by strong e-commerce, mobile phone penetration, a large alternative banking ecosystem, and a strong desire for formal capital. The region is forecast to be the second largest source of deal flow in the next five years.

Latin America

Buoyed by secular drivers and an acute opportunity to take advantage of weak currencies and temporarily low valuations

FINTECH 3.0: RECENT EVENTS SUPPORT A HYPOTHESIS OF INCREASED **CROSS-VERTICAL STRATEGIC CONSOLIDATION**

Consolidation will occur across FinTech verticals as acquisition rationale becomes increasingly driven by strategic positioning, not financial rationale; New future exit options will impact today's growth strategies

