
Lull in “fintech” funding observed

By Editorial Staff Thu, Aug 18, 2016

A new KPMG report attributed the drop to “a tougher climate for marketplace lenders and a drop in mega-round activity.”

Investment in venture capital-backed financial technology or “fintech” companies fell 24% in the U.S and nearly 50% globally during the second quarter of 2016, according to the Pulse of Fintech, a quarterly global report published jointly by KPMG International and CB Insights.

The report attributed the drop to “a tougher climate for marketplace lenders and a drop in mega-round activity,” according to a release this week.

U.S. fintech companies saw funding of \$1.3 billion in the second quarter, down from \$1.7 billion in the first quarter and from \$2.4 billion in the year-ago quarter. Deal activity to venture-backed fintech companies in the U.S. also experienced a five-quarter low with just 90 deals.

Corporate venture funds played a larger role in deals to North American VC-backed fintech companies in the second quarter, participating in 30% of all fintech deals, up from 23% last quarter.

Over the last five quarters, Goldman Sachs, Citigroup and Banco Santander or their venture arms (excluding independent VC firms associated with these banks) have invested in 25 VC-backed fintech companies. Other banks making investments globally across the fintech landscape include HSBC, JPMorgan Chase, and Mitsubishi UFJ Financial Group.

“We see more partnering with fintechs by traditional financial services companies to help develop new business models, while also enabling fintechs to expand their customer base and get the support they need to become sustainable,” said Brian Hughes, partner, KPMG LLP’s Venture Capital Practice.

The 30 largest fintech funding rounds during the first half of 2016 totaled over \$4.6 billion in aggregate funding. North America accounted for 19 of these rounds. Fintech early stage deal share in the U.S. fell to a five quarter low in Q2. Seed deal share fell to 21% after taking almost one-third of all U.S. VC-backed fintech deals in the first quarter of this year.

InsurTech is coming into its own as an area of fintech for venture capital investment, hitting

\$1 billion across 47 deals in the first half of 2016, KPMG said. Health insurance-related companies claimed the three largest deals of 2016 to date, but companies in life insurance are also seeing an increasing amount of investment, the release said.

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