Retirement Income
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Steep drop in fintech investment: KPMG

By Editorial Staff *Thu, Feb 23, 2017*

Globally, fintech funding fell to $25 billion in 2016 from $47 billion in 2015. Nonetheless, 2016 was the third strongest year for fintech investment and second highest year for venture capital (VC) fintech investment.

Political and regulatory uncertainty, a decline in megadeals and caution among investors contributed to a steep drop—to $12.8 billion in 2016 from $27 billion in 2015—in total funding for U.S. fintech companies and deal activity, according to KPMG's Q4 2016 "**The Pulse of Fintech**" report.

Globally, fintech funding fell to $25 billion in 2016 from $47 billion in 2015. Nonetheless, 2016 was the third strongest year for fintech investment and second highest year for venture capital (VC) fintech investment.

M&A and VC investments totaled 489 deals in 2016, down from 615 deals in 2015. Total VC investment in the U.S. dropped to $4.6 billion in 2016 from $6 billion in 2015, while M&A activity fell to just $8 billion in 2016, down from $21 billion in 2015.

The median deal size increased year-over-year for both seed rounds and early-stage VC deals. In addition, massive late-stage fintech financings contributed to keep total deal value healthy.

Total investment retreated to its lowest level in five years and there was a year-over-year decline in M&A. But private equity deal count rose to an all-time high, and deal value remained stable when compared to pre-2015 annual results.

Fintech Corporate VC activity represented 18% of all fintech venture financings in the U.S. in 2016, the biggest share in the past seven years.

"Because valuations have corrected, the market has set up a perfect storm for IPOs and M&A to happen in 2017," said Brian Hughes, co-leader, KPMG Enterprise Innovative Startups Network and national co-lead partner, KPMG Venture Capital Practice, in a release. "An increasing number of exits will likely stimulate demand for new investments."

KPMG identified these trends:

- **Insurtech.** Interest in "Insurtech" rose significantly in 2016, with the introduction of smart contracts, currency exchange, and other applications in financial services.

- **Blockchain.** Investors are watching blockchain closely. During 2016, a number of blockchain projects and proof-of-concept initiatives were conducted, but investors want more evidence that the technology can be applied in “effective, scalable and profitable solutions.”
- **Robo-advice.** Robo-advisory has been a strong area of fintech investment over the past few quarters. While robo-advisory has primarily been envisioned as a way to reach Millennials, the technology is now evolving to become more accessible to other clients.