

J&A Cross Border Capital Markets Report:

Fintech and Insurtech Transactions by USA-Based Investors

August 2023

Since 2020, over \$568 billion has been invested in financial technology (fintech) and \$33 billion in the insurance technology (insurtech) sectors by USA-based investors.

The convergence of finance and insurance with technology presents both unprecedented challenges and extraordinary opportunities. As these sectors continue to redefine traditional financial and insurance services, understanding the investment landscape becomes crucial for investors, industry players, and stakeholders.

This report provides a comprehensive analysis of investment activity in the fintech and insurtech sectors by USA-based investors. The data set analyzed focuses on capital deployment, transaction types, geographical distribution, and investor preferences within the industry. By analyzing the data and trends from Q2 2020 to Q1 2023, this report reviews the dynamic landscape of fintech and insurtech investments, offering insights into market dynamics and growth opportunities.

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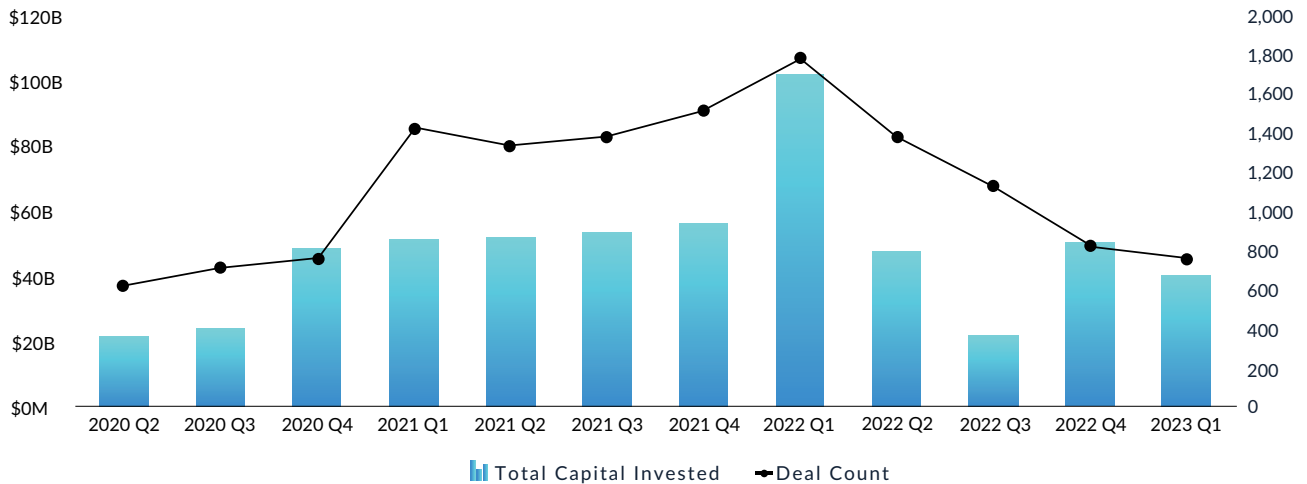
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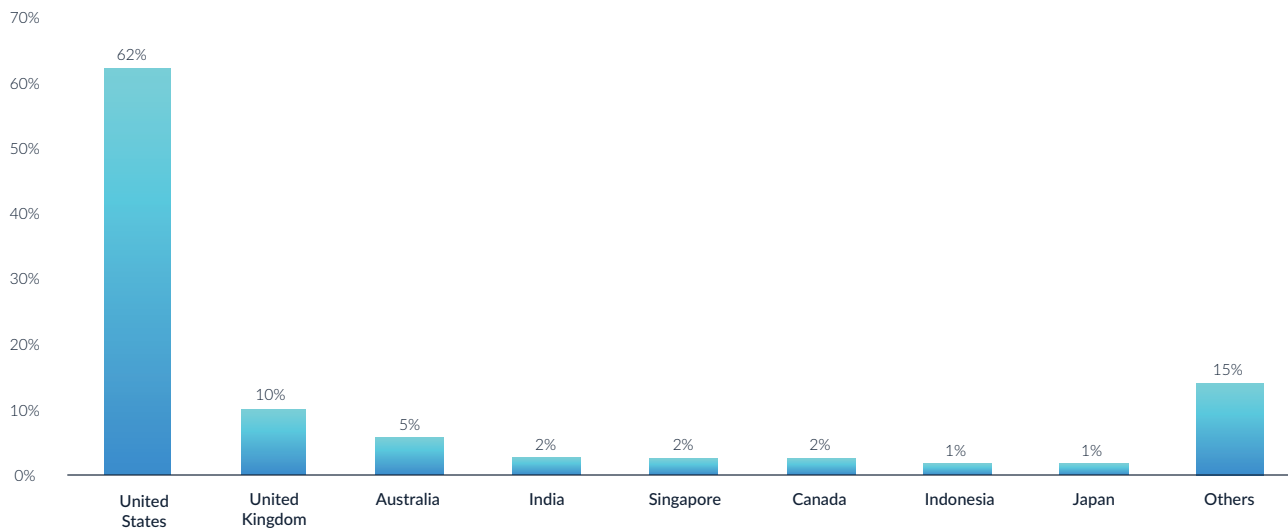
Announced Fintech Investments by USA-Based Investors



- The fintech industry has received over \$568 billion from USA-based investors over 13,616 transactions, with an average deal size of \$41 million since Q2 2020.
- The first quarter of 2022 saw the largest capital deployment of \$102 billion in the sector over the period. Square, a California-based payment platform, significantly contributed to that by acquiring Australian -based Afterpay for \$28 billion.
- From the fourth quarter of 2020 to Q1 2023, investment numbers have kept a steady pace, with Q3 of 2022 being the quietest quarter so far.



Breakdown in Announced Fintech Capital Markets Deals by USA-Based Investors by Country



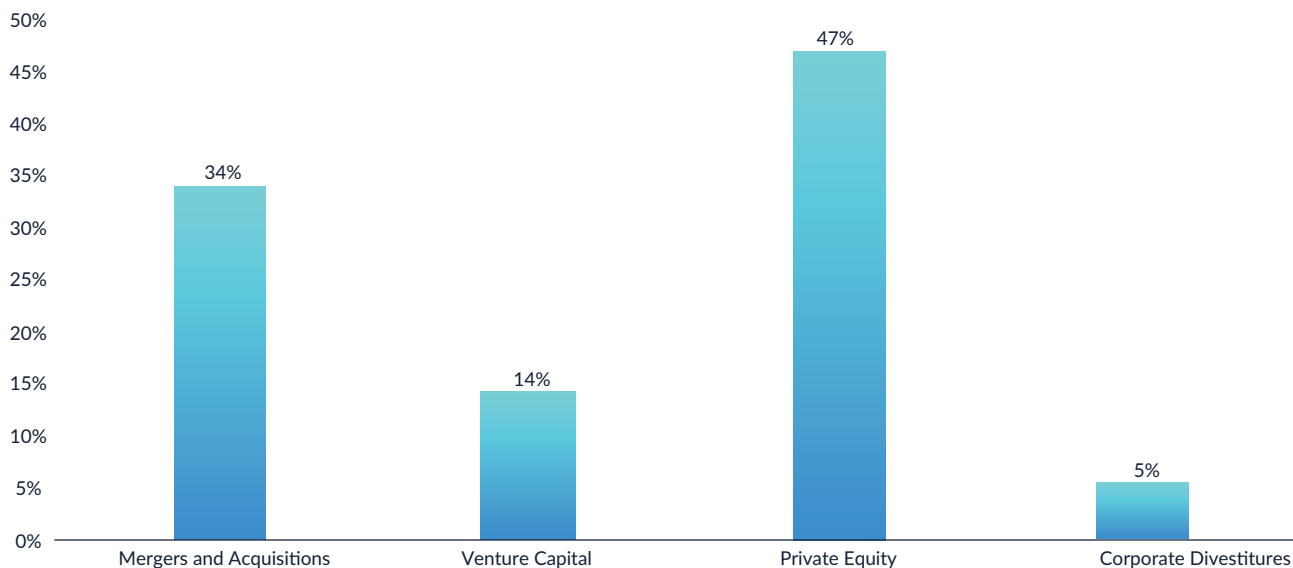
- USA-based investors have focused heavily on domestic opportunities, deploying \$353 billion (62%) within the United States, particularly in cities like New York, San Francisco, and Boston, known for their robust financial sectors and startup ecosystems.
- The United Kingdom has received significant investment from USA-based investors, accounting for 10% of capital received in the sector, totaling \$57 billion. This is due to the

established financial markets and supportive regulatory environments.

- Fintech markets in Asian countries like India (2%) and Singapore (2%) have attracted \$11 billion from USA-based investors. These countries have witnessed rapid growth in their fintech ecosystems, increasing smartphone penetration, and rising demand for digital financial services.



Breakdown in Announced Fintech Capital Markets Deals by USA-Based Investors by Deal Type



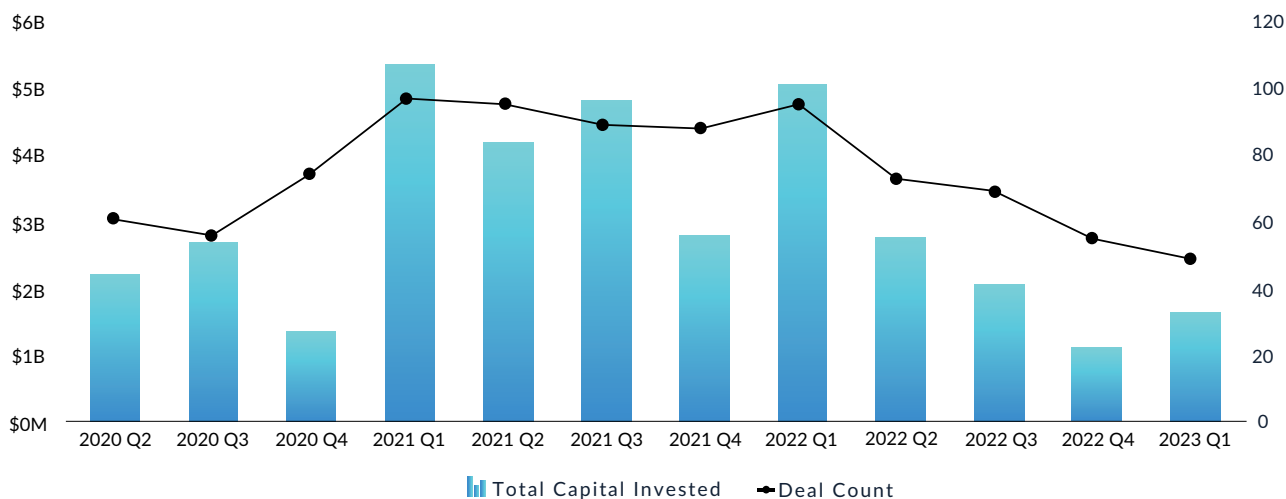
- USA-based investors deployed \$193 billion through mergers and acquisitions within the fintech sector. Established companies enhance their market position, expand their product offerings, or gain a competitive advantage through domestic and international acquisitions.
- Venture capital investments contributed 14% of capital deployed by USA-based investors in the fintech sector over the period. The \$80

billion deployed could illustrate the growth potential of the sector and the focus on disruptive technology.

- USA-based private equity firms deployed \$266 billion (47%) in fintech companies. These investments typically involve larger funding amounts and may target companies in later stages of growth.

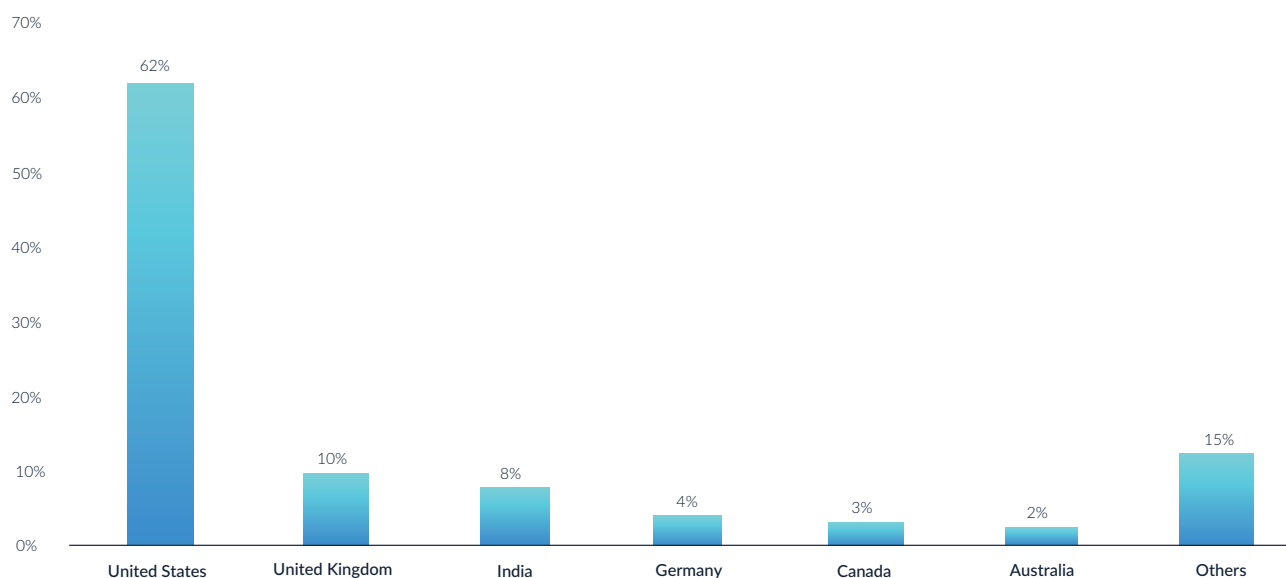


Announced Insurtech Investments by USA-Based Investors (Q2 2020 – Q1 2023)



- The insurtech market has received \$33 billion in the last three years, with a total of more than 900 transactions from USA-based investors. The average deal size in the period was \$36 million.
- The first quarter of 2021 saw the largest deal count and capital invested. Conforming to an insurtech briefing from Willis Towers Watson, the largest funding rounds included companies like Next Insurance, Coalition, Zego, Sidecar Health, Pie Insurance, Clarify Health, and Corvus Insurance.
- As in 2020, the current insurtech market continues to see advancements in areas such as artificial intelligence, machine learning, or data analytics. The COVID-19 pandemic had a significant impact on the insurtech industry in 2020, driving the need for digital transformation and highlighting the importance of resilience within the insurance sector.

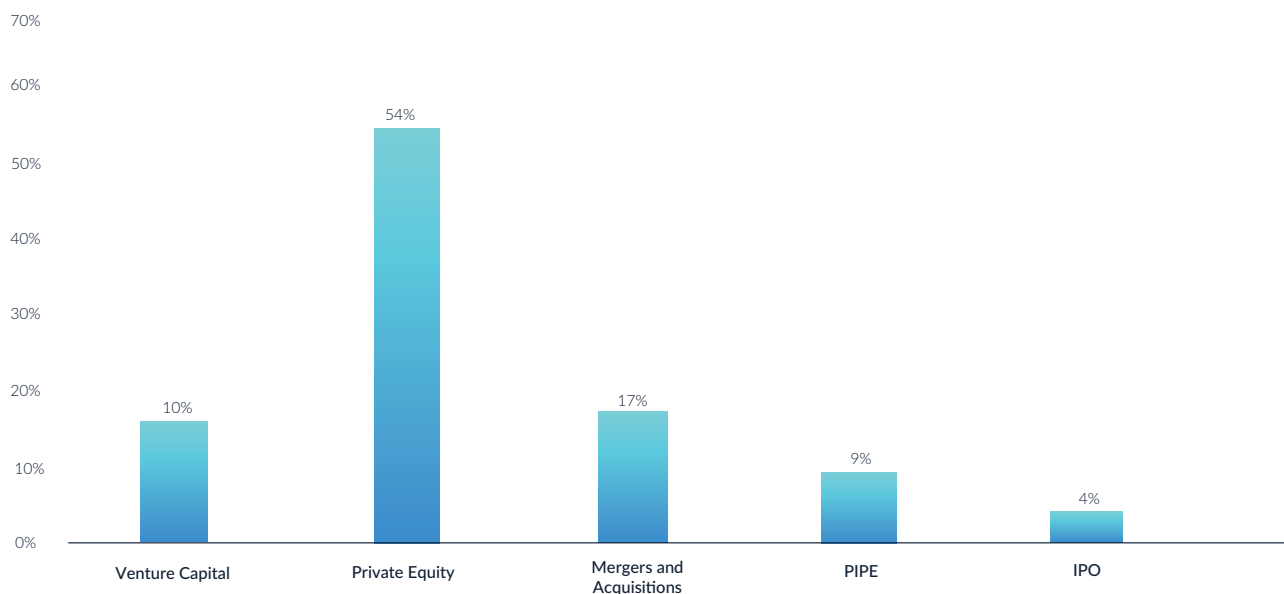
Breakdown in Announced Insurtech Capital Markets Deals by USA-Based Investors by Country



- United States-based investors deployed \$20 billion (62%) of the industry's capital markets investments, becoming a significant hub for insurtech investments.
- Countries like India and Singapore have experienced a surge in insurtech investments. The \$3.4 billion (8% and 3% respectively) deployed among those two countries is due to the strong investment environment created by the region's large population, growing middle class, and increasing digital adoption.
- The United Kingdom and Germany contributed 10% and 4% respectively to the investment pool, receiving a total of \$4.6 billion from USA-based investors.



Breakdown in Announced Insurtech Capital Markets Deals by USA-Based Investors by Deal Type



- Private equity firms have increasingly shown interest in the sector, investing \$17.8 billion, contributing 54% of the total capital deployment.
- Venture capital investments have been a major source of funding for insurtech startups. USA-based venture capital funds have deployed \$5.3 billion in insurtech companies since Q2 2020.
- Complete buyouts of insurtech companies have also been an active deal type in the market with a participation of \$5.6 billion, particularly those businesses with a strong customer base and the potential for value creation.

The future of fintech and insurtech industries will be shaped by various factors, including technological advancements, market dynamics, and consumer preferences.

While the outlook is positive, it's crucial for industry players to pay attention, adapt to changing times, and continue to innovate to capitalize on the emerging opportunities in these dynamic sectors.