



PREVIEW

# The State of Global Investments and Funding in FinTech and Payment Startups

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# About This Report

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## ABOUT THIS REPORT?

*For the purposes of this report, the content is focused on the global payment investment landscape and global emerging payments players.*

The financial technology (FinTech) and payments sector is currently seeing a boom in investment along with strong mergers and acquisition (M&A) activity. Much of this activity involves emerging payments companies that are developing innovative and potentially disruptive products as new technology and changing customer behaviors transform financial services and how consumers make payments.

Technological advancements, changing consumer behaviors and the growing fragmentation are applying significant pressure on industry incumbents. As a result, emerging FinTech and payments companies are attracting significant investment. For many incumbents, it is often be difficult to track this ever-changing environment, as technology innovations surface on a monthly basis and new entrants emerge and establish themselves quickly.

This 102-page study will provide an in-depth look at the payments financing landscape as well as the investors and companies fueling the payments startup ecosystem. In this report, [The Strawhecker Group \(TSG\)](#) also identified the top 157 funded private payments companies and mapped them back to 12 payments categories where they operate. The 157 payments startups address general payments needs as well as a range of payments market niches, including digital currency payments, mobile payments, and specialized consumer-focused payment markets like child support. The report also provides a directory on payments investments, acquisitions and IPOs in 2015.

## WHY IS THIS USEFUL?

This report will provide useful information into the various facets of the payments financing landscape. The report is an excellent tool for payments companies to track and analyze the various emerging payment entrants (and the space in which they play) along with identifying potential areas of investment or potential strategic partnerships. The information can also be leveraged by companies outside of the payments industry to understand where a strategic entry into the market may make sense.

# Report Overview

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# Technology and Its Impact On Payments

## Technology Creates A New Vision For The Payments Landscape

Tasks once handled with paper money, bulky computers, and human interaction are now being completed entirely on digital interfaces. Given how pervasive financial services are across the globe, the disruption opportunity for payments startups is massive. *Business Insider Intelligence*

- ➔ Almost every type of financial activity - from banking to payments to wealth management - is being reimagined by startups, some of which have garnered blockbuster investments. Meanwhile, incumbents are trying to understand how they benefit from the rise of digital, and how can they avoid obsolescence? *Business Insider Intelligence*
- ➔ As technology drives a shift in how we buy things, the revenue that the payments industry extracts could grow to more than \$2 trillion a year by 2023. Much of that increase will come from a reduction in cash payments in developing countries. But across the globe, there is a time of “disruption and opportunity” driven by digital technologies that will require the existing card systems to prove that it’s better than its new competition.
- ➔ Innovation in payments is especially likely to take hold in the developing world, where cash is still king. Leapfrogging ATMs and checks the same way they have skipped over landlines and cable, whole chunks of population are moving straight from cash to mobile money. M-Pesa, which has become a force in Kenya and Tanzania, has turned money into mobile currency that can be converted into airtime or used to pay for things.



Source: *Business Insider Intelligence, MIT Technology Review*

# Technology and Its Impact On Payments

## FinTech Innovation Has The Potential To Disrupt An Expanding Number of Financial Areas, Especially Payments

From payments to wealth management, from peer-to-peer lending to crowdfunding, a new generation of startups is taking aim at the industry. The growth of capital being invested in FinTech startups underlies how technology and the Internet are radically changing the nature of money and financial services. From the ways that people save, to how they spend, to the tools they use to invest their money - all of these are changing more rapidly today than ever before.

➡ As money becomes increasingly stored as digital data and moves with us on our mobile devices, it will flow fluidly, and at a far lower cost from person to person; from consumer to vendor; and from investor to business. As this happens, the traditional revenue streams big banks and other payments players have enjoyed will be challenged - money transfer fees, account management fees, etc. - as the underlying technology is rebuilt and improved by FinTech entrepreneurs and simply downloaded to phones.

➡ And because the way we pay for things, invest, and manage money is something that touches our lives daily, the mass interest in FinTech has leaped dramatically. The pace of innovation in payments technology has accelerated and shows no signs of abating.



Source: TSG Analysis, Forbes, The Economist

# Top Funded Payments Startups

The Payments Market Is Exploding From Innovation And Changing Rapidly Which Provides Opportunities For New Partnerships And Strategies. However, Not All Entities Are Receiving Similar Amounts Of Investment Attention.



Source: TSG Analysis

# Top Funded Payments Startups

And Certain Companies With Interesting Prospects Are Seeing Higher Funding



Source: TSG Analysis



# The Payments Talent Pool

## The Payment Industry Has Come A Long Way In The Last 10 Years. Arguably, It Is One Of The Most Dynamic And Rapidly Evolving Industries Globally

The availability and extensive use of digital channels has contributed significantly in the dramatic evolution of the payment Industry. However, it has also presented new challenges to companies in this space. One of the biggest challenges has been the availability of skilled talent. The industry requires specific skill sets to combat the seen and unforeseen challenges because of the dynamic nature of the industry.



The requirements of talent at payment companies are not that simple either. They require people to have some domain experience apart from broad technical knowledge and specific functional skills. *According to some estimates, the payments industry will create more than 40,000 new opportunities in the next couple of years.*

Source: TSG Analysis, FinTech Recruiters



# About TSG

**The Strawhecker Group (TSG)** is a management consulting company focused on the electronic payments industry. TSG works with clients from all aspects of the industry, including merchant acquirers, card networks, investment firms, banks, technology companies, and major merchants. The Electronic Transactions Association named TSG as Business Partner of the Year in 2010.

## Payments Strategy Consulting | Transaction Advisory | TSG Metrics

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