Evolve
Capital Partners

Finance & Technology Market Update

Q3:2018 Issue

Financial Technology

The Evolution of Fintech | Increasing Technology Adoption in Financial Services | The Return of Insurance Intermediaries

SPECIALIZED INVESTMENT BANKERS AT THE INTERSECTION OF FINANCE & TECHNOLOGY

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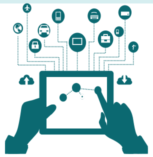
SUMMARY

- Our newsletter provides insight into the financial technology capital markets. We offer a snapshot of market activity and a detailed analysis of trends.
- This issue focuses on **the evolution of fintech, the increasing technology adoption in financial services, and the return of insurance intermediaries** (extension of research on disruption in the insurance space).
- Our sector coverage includes companies at the intersection of financial services and technology. We have observed trends that fundamentally redefine how companies in the fintech, financial services, and insurance segments function.
- The key observations we made over the first half of 2018 are included.

KEY OBSERVATIONS

 **The Evolution of Fintech**	The fintech evolution started post-2008 when the financial crisis reduced the viability of some service offerings for banks and financial institutions. At the same time, acute capital constraints and the need to restore order internally diverted banks' focus away from their technology strategies. Opportunities were created for tech-enabled solution providers to arrive on the scene with unconventional approaches and fill in the gaps left by incumbents. Initially, incumbents tried to protect their turf by competing against technology players, but they have since realized the mutual benefits of collaboration. **This evolution is set to enter its fourth stage as companies are looking beyond technologies that maximize the customer experience and avidly exploring technologies that can create greater process efficiencies.**
 **Increasing Technology Adoption in Financial Services**	Legacy financial institutions are changing their approach to investing in financial technology. They are developing a clear vision for the future and creating well-studied technology strategies that will bring them closer to that vision. These institutions are reinventing their core with technology and are aiming to build a high-tech generation 2.0 organization rather than fighting technology disruption from new players. **Banks and other financial services businesses have ramped up their investment in technology through acquisitions, funding or developing technical capabilities in-house, and reshaping their legacy systems. They are moving closer to becoming technology companies rather than financial companies.**
 **The Return of Insurance Intermediaries**	**Brokers, managing general agents (MGAs), and third-party administrators (TPAs) are turning to technology in a bid to create value and remain relevant in the insurance value chain. These intermediaries are monetizing the inefficiencies in the insurance value chain and catering to all the participants in the chain in order to regain their position.** Insurance agents have identified various services such as small commercial lines and claims processing where they can improve the customer experience and increase operational efficiency. Insurance brokers are increasingly using predictive analytics to monitor real-time information and predict risk associated with a customer.

Executive Summary

Summary of Newsletter

We are pleased to provide exclusive interviews and case studies of key companies in our space.
Below are several emerging companies profiled in this issue:

Exclusive Interview

trōv

- Scott Walchek is the Founder, CEO, and Chairman of Trov.
- Over the past 25 years, he built companies such as Macromedia, Sanctuary Woods, C2B Technologies and DebtMarket. He was also a co-lead investor and founding director of Baidu, China’s largest search engine.

Exclusive Interview

Slice

- Tim Attia is the CEO and Co-Founder of Slice.
- Prior to Slice, Tim was EVP, Sales and Marketing at BOLT Solutions. He previously served as VP at Exigen Insurance Solutions and as Senior VP at Camilion Solutions.
- He holds a BS in Electrical Engineering from McGill University.

Exclusive Interview

socotra

- Dan Woods is the CEO and Founder of Socotra.
- Prior to Socotra, Dan was a venture partner at Formation 8. He previously served as Head of Partnerships at Palantir.
- He holds a MS in Computer Science from Stanford University and a MS in Computer Engineering from Kettering University.

Firm Qualifications

Evolve Capital Partners Overview

We Focus Exclusively On Finance and Technology-Related Firms

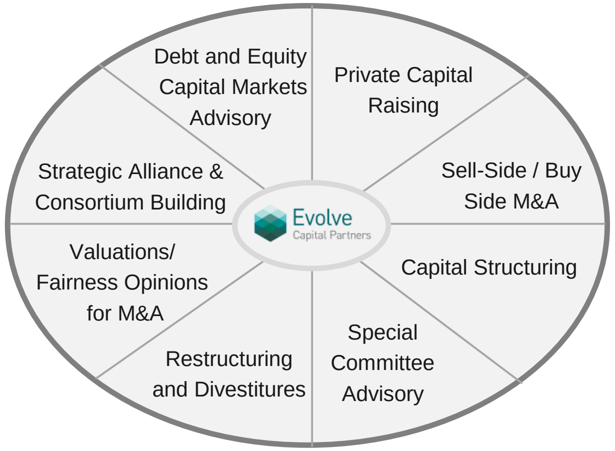
ABOUT ECP

- Evolve Capital Partners (ECP) is a specialized investment bank focused on businesses serving industries at the intersection of finance and technology.
- We were founded in 2012 and are based in New York, NY, the financial capital of the world. Our location provides unparalleled access to numerous strategic and financial partners who participate in and shape the sector.
- Since inception, we have completed over $350 million of transactions. Professionals at our firm have advised on over $3 billion of M&A and financing transactions globally.

FINANCIAL ADVISORY SERVICES

- We are a dedicated, creative, and fully independent investment bank that advises private and public companies on merger, divestiture and acquisition transactions, and capital raising through private placements.
- We produce industry-leading research on transaction trends across the Finance and Technology sector.
- Few investment banks have transaction experience across both corporate and asset finance.

Our Services



In-Depth Industry Research Reports

Quarterly FinTech Market Analysis

FinTech M&A / Financing Transaction Profiles

Our Clients

- Corporations
- Management Teams
- Venture Capital & Private Equity Funds
- Independent Directors / Boards

Industry Focus

- *We are exclusively focused on Finance and Technology firms*

BPO	Specialty Finance	Payments	Securities
IoT	Enterprise Software	Lending	Financial Services
B2B	Analytics	Insurance Tech	Financial Management

Fintech Coverage Universe

We Focus Exclusively On Finance And Technology-Related Firms

Financial Management Solutions
ADP, WageWorks, Ultimate Software, Paychex, Intuit, WEX

Payments
Deluxe, Green Dot, PayPal, Vantiv, Square

Bank Technology Solutions
CoreLogic, Fidelity National Financial, R3, Q2, FIS, Redfin

BPO
Genpact, Accenture, Sutherland Global Services, Nelnet, Wipro

Specialty Finance / Alternative Lending
LendingClub, OnDeck, Synchrony Financial, Elevate, Goldman Sachs

Healthcare Tech
athenahealth, Cerner, Aetna, Cotiviti, Craneware

Securities
J.P.Morgan, E*TRADE, Broadridge, Charles Schwab, SS&C, First Derivatives Plc, Deutsche Börse Group

Data & Analytics / IoT
Nielsen, LexisNexis, Dun & Bradstreet, Cloudera, Tableau Software

Insurance
Equifax, Verisk Analytics, Guidewire, TransUnion, Travelers, Gartner

Evolve Capital Partners — Our Expertise and Capabilities

M&A Advisory
- Sales / Recaps
- Acquisitions
- Divestiture
- Strategic Advisory

Financing
- Private Placements
- Debt Capital
- Restructuring

Fintech Coverage Universe

Our Finance and Technology Sector Coverage Details

Payments

- Payments Core Banking Solutions
- Payment Infrastructure
- POS Devices / Solutions
- Networks
- Prepaid / Money Transfer
- Payment Processing
- Closed Payment Network

Bank Technology Solutions

- Blockchain
- Core Processing
- Credit Scoring / Data
- Mortgage / Real Estate Tech
- Software Solutions / Services

Financial Management Solutions

- Accounting / Expenses
- Business Analytics
- Enterprise Management
- Human Capital Management
- Revenue Management

BPO

- Customer Experience
- Healthcare Industry
- HR / Payroll
- IT / Consulting
- Operations

Specialty Finance / Alternative Lending

- Consumer Lending
- Commercial Lending
- Online Lending
- Collections / Servicing
- Leasing
- Mortgage & Related

Healthcare Tech

- Analytics-Driven Solutions
- Core Solutions
- Medical Bill Servicing
- RCM
- Specialty Health Solution

Securities

- Alternative Trading Systems & Market Makers
- Diversified FIS
- Exchanges
- Financial Content Providers
- Investment Management
- Online Brokers
- Outsourced Financial Solutions
- Software & Solutions
- Brokerage
- Investment Banks

Insurance

- Title Insurance
- Traditional / Life Insurance
- Multi-Line Insurance
- P&C Specialty
- Insurance Brokers
- Online Information Providers
- P&C Insurance
- Benefits Administration

Data & Analytics / IoT

- Analytics Software Solutions
- Consumer IoT
- Industrial IoT
- Outsourced Analytics Solutions

Industry Landscape

Evolve Capital Partners

The four stages in the evolution of Fintech

The fintech evolution started post the 2008 global financial crisis. Initially incumbents tried to protect their turf by competing against technology players, but they have since realized the mutual benefits of collaboration. The evolution is set to enter its fourth stage as companies are looking beyond technologies that maximize the customer experience and avidly exploring technologies that can create greater process efficiencies.

STAGE 1
The first generation of fintech disruptors emerges

Fintech startups emerged in the aftermath of the global financial crisis of 2008 as banks and financial institutions grappled with regulatory changes and an increase in the adoption of technologies, social media, and Omnichannel commerce.

2008-2012

STAGE 2
Incumbents fight back through innovation labs and venture arms

Incumbents initially took a combative stance in response to the threat posed by fintech innovators and drew from their large capital resources to develop or acquire new technologies. They also set up innovation labs to promote technology in specific financial services segments.

2012-2016

STAGE 3
Incumbents and disruptors realize the inevitability of partnerships

Incumbents have started partnering with fintech companies in the current stage to achieve better cost control, capital allocation, and customer acquisition. Fintech companies leverage the brand and customer base of incumbents to scale their businesses.

2016-2018

STAGE 4
Technology focus shifts from user experience to operational optimization

In stages 3 & 4, technologies like Artificial Intelligence (AI), Internet of Things (IoT) and blockchain are used for front-end solutions like customer relationship management. However, companies are expected to explore use cases to improve their internal processes for underwriting, marketing, and risk management in this fourth stage.

2018 onwards

The first generation of fintech disruptors emerges

Stage 1 (2008-2012)

- Changes in the regulatory environment across the US and Europe after the 2008 financial crisis reduced the viability of some services offerings for banks and financial institutions. At the same time, **acute capital constraints and the need to restore internal order diverted banks' focus away from their technology strategies.**
- **Opportunities were created for tech-enabled solution providers** to arrive on the scene with unconventional approaches and fill in the gaps left by incumbents.
- The aftermath of the financial crisis coincided with the proliferation of social media and **real-time, virtual service delivery models using advances in big data, cloud computing, and wireless technology**.
- With new technology businesses entering other markets, a **new age of financial service providers** was needed that could leverage technology to provide an **efficient and cost-effective alternative** to the often complex and slow processes used by traditional financial services players.
- Large technology players explored financial services but didn't want to break into the sector too deeply because of regulatory and cost-related complexities that could have a bearing on their traditional business. **Technology startups banked on this opportunity and broke into the space**.

References: Exchanges at Goldman Sachs, Episode 89: "From Mobile Wallets To Blockchain - How Fintech Is Growing Up"

Key factors that led to the emergence of fintechs after the financial crisis

Regulatory changes and capital constraints faced by financial institutions

Proliferation of social media and real-time online delivery models

Technological advances (big data, cloud computing, and wireless technology)

Reluctance of large technology players to enter banking and financials services too deeply

Incumbents fight back through innovation labs and venture arms

The Evolution of Fintech; Increasing Technology Adoption in Financial Services; The Return of Insurance Intermediaries

Stage 2 (2012-2016)

- Although the fintech revolution was still in its early days, legacy players were quick to realize the threat posed **by the convenient, efficient, and low-priced alternatives offered by new technology players**.
- At the same time, as the post-crises stress abated, the capital positions of some incumbents improved. **They could again focus on their technology and growth strategies instead of worrying about survival**.
- The incumbents' initial reaction was to push back against the fintech disruptors by leveraging their financial might. Consequently, stage 2 of the fintech evolution saw **banks and financial services businesses invest heavily in technology**.
- Incumbents invested in private technology projects by **building innovation labs and fintech incubators.**
- They also invested capital to inorganically obtain new capabilities by **acquiring emerging fintech players.**
- Stage 2 of the fintech evolution also saw the return of corporate venture arms, which were common in the dot-com days.
- These arms were used by incumbents to invest in up-and-coming technology businesses that could be acquired later **to bring their solutions into the existing business or be rolled out as new offerings**.

Key M&A and financing transactions by incumbents

Target	Key Investors	Details
REDI	Thomson Reuters	Thomson Reuters acquired REDI Holdings to leverage its advanced cross-asset class trading capabilities to the buy-side on September 23, 2016.
investcloud	JPMorgan Chase & Co.	J.P. Morgan Chase & Co. made a strategic equity investment of an undisclosed size in InvestCloud on September 20, 2016. The investment has brought easy-to-use dashboards, additional mobile functionalities, and seamless account opening to J.P. Morgan.
Chain	VISA citi VENTURES	Chain, Inc., the leading provider of blockchain technology solutions to financial institutions raised $30 million in equity funding from a syndicate of financial and payments industry leaders on September 10, 2015.
FutureAdvisor	BlackRock	BlackRock, Inc. acquired FutureAdvisor for $150 million on August 26, 2015. The transaction has helped it adopt a B2B model aimed at extending high-quality financial management advice to a broader userbase.

Key investments in innovation labs by incumbents

Innovation lab	Description
startupbootcamp FinTech	Startupbootcamp Fintech New York program provides office space, expertise, and access to a global network of investors. It is backed by Mastercard, Rabobank, Santander, Thomson Reuters, Route 66 Ventures, and Deutsche Bank
Deutsche Bank Innovation lab	Deutsche Bank started four innovation labs in March 2017. These labs connect startups to decision makers within Deutsche Bank and help Deutsche Bank adopt emerging technology solutions that enhance, improve and reimagine the way it serves clients.

References: Exchanges at Goldman Sachs, Episode 89: "From Mobile Wallets To Blockchain - How Fintech Is Growing Up"

Incumbents and disruptors realize the inevitability of partnerships

The Evolution of Fintech; Increasing Technology Adoption in Financial Services; The Return of Insurance Intermediaries

Stage 3 (2016-2018)

- The current or third stage of fintech revolution revolves around **partnerships among fintech startups and traditional financial services companies**, especially in the customer experience space.
- From a fintech startup perspective, some of these businesses are reaching their maturity and emerging as successful companies that can't be described as startups anymore. These businesses are separating themselves from the pack by turning profits and going public.
- Some of these fintechs are making investments in better technologies, a stronger workforce, and creating an innovative entrepreneurial culture. However, these **companies have not achieved the size or return that their investors want**.
- On the other hand, **banks and traditional financial services companies** have the customer brand and scale, but they **need a fintech and digital strategy**.
- The demand and complexity of financial services and financial products have fundamentally changed over the last 5 to 10 years. The burden on traditional payments companies, financial services companies, and banks is **to be omnipresent until they sort out how and what the consumer wants.**
- Banks and financial services may have been distracted by capital or regulatory issues over the past five years, but they are clearly focused on technology now. This focus has given rise to a **two-way dialogue that has led to more partnerships between traditional financial services firms and fintech startups**.

Incumbent	Fintech	Partnership Rationale
Bank of America	PayPal	Bank of America (BofA) partnered with PayPal on March 22, 2018, to allow customers to pay with an additional option and link their BofA and PayPal accounts. This partnership is in line with BofA's efforts to incorporate digital services into its set of offerings.
Starling Bank	TrueLayer	Starling Bank partnered with API specialist TrueLayer on March 12, 2018. This partnership allows businesses to access customer data from Starling Bank's database and build new financial apps and services for them.
Assurant®	Tenant Cloud	Assurant partnered with TenantCloud on January 30, 2018 to allow landlords to protect their rentals by requiring tenants to have renters' insurance. Tenants will be able to secure coverage directly through the TenantCloud app.
Lloyds Bank	Yolt	Yolt, a money management app partnered with Lloyds on January 25, 2018. The integration allows Yolt users to view their Lloyds account details with other bank account details in one place.
Morgan Stanley	Addepar	Morgan Stanley Private Wealth Management teams will use Addepar's data aggregation, performance reporting and client portal to do sophisticated analysis and fulfill end-clients' needs for tailored communications.

References: Exchanges at Goldman Sachs, Episode 89: "From Mobile Wallets To Blockchain - How Fintech Is Growing Up"

Technology focus shifts from user experience to operational optimization

The Evolution of Fintech; Increasing Technology Adoption in Financial Services; The Return of Insurance Intermediaries

Stage 4 (2018 onwards)

- With the **growing popularity of technologies** like Big Data and Analytics, Artificial Intelligence (AI), Machine Learning (ML), Application Programming Interface (APIs), and Internet of Things (IoT), we are entering the fourth stage of the fintech evolution.
- The previous stages were mostly focused on enhancing the user experience through front-end platforms, digital interfaces, and mobile-based service delivery models. The fourth stage will primarily **focus on operational improvements**.
- Areas of focus will be **improving internal efficiencies, rationalizing the cost structure of underlying financial services, and improving processes** for underwriting, risk management, identity verification, and data security, among others.
- There will also be a **continued focus on enhancing value through customer operations** in areas like marketing, relationship management, and service risk management.
- These themes will continue driving **partnerships, M&A, and corporate venture deals** in the fourth stage.
- Some of the relevant M&A and financing deals are provided in the following section of the newsletter - Transaction and Partnership Themes.

Key initiatives taken by companies to improve workflow processes

Company	Initiatives
Populous World	UK-based Populous announced on February 6, 2017 that it started using blockchain in invoice financing to automate settlements via smart contracts. The company intends to reduce the time taken for SMBs to settle invoices.
Profile Software	Profile Software introduced the Axia Robo Advisor in May 2018 that will automate investment management operations for wealth management firms and banks. The solution supports client onboarding, compliance, risk monitoring, portfolio selection and portfolio rebalancing. It supports both self-service and hybrid advisory service models.
mswipe innoviti®	Companies such as Mswipe and Innoviti Payments that deploy PoS terminals on behalf of banks, announced on May 23, 2018 that they are doubling down on their lending businesses aimed at SMBs.
AZIMO	Azimo provides a platform that enables payments via a wide variety of payout methods, including cash, bank deposits and mobile wallet. The company raised $50 million from Rakuten Capital on May 29, 2018.

References: Exchanges at Goldman Sachs, Episode 89: “From Mobile Wallets To Blockchain - How Fintech Is Growing Up”

Case Study: Deutsche Bank acquires Quantiguous Solutions

The Evolution of Fintech; Increasing Technology Adoption in Financial Services; The Return of Insurance Intermediaries

Target Company Overview

- Quantiguous Solutions is a developer of financial enterprise software designed to make customer interactions simple, secure, and accurate.
- The company specializes in conceptualizing, designing, and creating turnkey solutions for machine-to-machine interactions via Application Programming Interface (APIs) and human-to-machine interactions on mobile devices.
- The company was founded in 2014 and is based in Mumbai, India.

Acquisition Details

- Deutsche Bank acquired Quantiguous Solutions on May 15, 2018 for an undisclosed amount. The financial terms of the deal were not disclosed.
- As part of the acquisition, Deutsche Bank will take over all employees of Quantiguous, who will join the core team responsible for the development and roll-out of Deutsche Bank's global API program.

Services Offered

Quantiguous Solutions offers its solution, API Banking, which is a suite of various interfaces. The suite includes a user interface for businesses and their operations teams to configure the behavior of services (Service Center), a monitoring dashboard for operations and support staff (Surveil), a testing tool for quality assurance (Okay & Ditto), and a deployment tool for a company's change management teams (Enwrap).

Transaction Rationale

Deutsche Bank intends to accelerate the development of its open banking platform. This platform forms the core for developing innovative client applications and connecting corporate clients, fintech, and partner companies to the bank's transaction banking platforms and services.

This acquisition exemplifies the role of partnerships as discussed in Stage 3 and strengthens Deutsche Bank's strategy of building a global open banking platform and a connected financial ecosystem.

Financial services players redefine their technology investment strategy

- Legacy financial institutions are changing their approach to financial technology investment. They are **developing a clear vision for the future and creating well-studied technology strategies** that will bring them closer to that vision.
- Until now, businesses like wealth management, insurance, and especially banks, looked to **invest in new technology** and deploy it to lower costs and maintain competitiveness while **retaining their core**.
- Increased customer expectations, enhanced technical capabilities, regulatory requirements, and changing consumer demographics have created a need for **these legacy businesses to transform themselves into "modern corporations"** to stay relevant in a competitive environment.
- The "modern corporation" requires legacy financial institutions not just to introduce new technology into the organization but also **to reinvent their core using technology**. They are innovating and transforming themselves to reduce costs and make existing product lines more competitive.
- Financial service providers realize that **analyzing information is key to sustaining their position**. They are developing technology strategies to harness maximum benefits from the information. The aim now is to think long-term and build a **high-tech generation 2.0 organization** rather than fight technology disruption from new players.

KEY HIGHLIGHTS

Financial services businesses are developing a clear vision for the future and creating well-studied technology strategies.

Until now, wealth managers, insurers, and banks looked to invest in new technology to lower the cost and maintain competitiveness while retaining their core.

Various factors have created a need for the legacy businesses to transform themselves into "modern corporations."

The "modern corporation" requires legacy financial institutions to reinvent their core using technology.

The aim of financial services businesses is to think long-term and build a high-tech generation 2.0 organization rather than fight technology disruption from new players.

Financial services businesses are investing heavily in technology

The Evolution of Fintech; **Increasing Technology Adoption in Financial Services**; The Return of Insurance Intermediaries

- To build a high-tech generation 2.0 organization, banks and other financial services businesses have **ramped up their investment in technology through acquisitions, and by funding or developing technical capabilities in-house**.

- Financial services players are looking to **increase customer outcomes, geographical reach, speed to market, and operational efficiency and scalability** by making investments across the board.

- According to PWC, **fintech spending has tripled since 2014, reaching over $12 billion**. Companies that have led financial technology investing include Citibank, HSBC, Goldman Sachs, JPMorgan, and Nasdaq.

- These companies are reshaping their legacy systems **to become more like technology companies rather than traditional financial companies**. They are looking to collaborate with fintechs to support their agile culture and innovation agenda.

- Many traditional financial services businesses, especially banks, wealth advisors, and insurers, are differentiating and enhancing their value proposition through technology.

Key investments in technology made by companies

Company	Initiatives
JPMorgan Chase & Co.	In May 2018, JPMorgan Chase announced that it is hiring significant academic talent in the area of machine learning. The company spending on technology will total about $10.8 billion in 2018.
citi	In 2017, Citigroup spent $8 billion on technology which is approximately 20% of the bank's total expenses. By adopting cloud, robotics and mobile technology, the company expects to save $1 billion in expenses by 2020.
HSBC	HSBC has directed a $131 million investment in the bank's digital capabilities be made between 2016 and 2018 to improve the experience of existing customers and attract more customer segments.
Lloyds Banking Group	From 2018 to 2020, Lloyds Banking Group aims to achieve market efficiency through a strategic investment of nearly $4 billion to digitize the customer experience and scale up technology-enabled productivity improvements.
Scotiabank	In 2018, Scotiabank is estimated to have spent $3.2 billion on technology to deepen client relationships and improve efficiency. The bank has moved $520 million of spend on its digital transformation during this timeframe.
Goldman Sachs	Goldman has been leading high-profile investments in fintech startups and is taking initiatives to shift more of its business through electronic channels.

Source: "Financial Services Technology 2020 and Beyond" by PwC, Capital IQ

Case Study: Citi spends on technology to keep competitors at bay

THE OPPORTUNITY

- Global banks are increasingly investing in technology as they seek to dominate the fintech space through collaborations and offset the disruption from startups.
- Citigroup is among the top banks, along with Santander and Goldman Sachs, investing in fintech companies. With approximately 200 million customer accounts across the globe, it is one of the top international banks to invest in fintech firms.
- Citigroup's spending underscores the move by banks to deploy capital for technology and keep fintech competitors at bay. Although some part of Citi's tech budget goes for maintenance of existing systems, a significant amount is earmarked for new technologies and initiatives.

THE STRATEGY

- Citigroup plans to spend 20% of its total budget on technology advancement — which amounted to more than $8 billion in 2017.
- The company expects its expense ratio to decline from 58% to 57% in 2018. This decline in costs will likely continue in 2019 and 2020 when the expense ratio is expected to decrease by 2% as a function of moving to the digital technology.
- The *Financial Times* reported that Citigroup's investment banking business could shed as much as half of its 20,000 technology and operations staff in the next five years due to automation.
- Citigroup also announced the opening of a new innovation lab in London. The London lab will undertake rapid research, experimentation, and prototyping of next-generation technology with a focus on data science and visualization as well as high-performance computing.

THE INVESTMENTS

Date	Transaction Type	Amount ($ mm)	Target
03/01/2018	Private Placement	$10	CRUX
09/26/2017	Private Placement	Undisclosed Amount	SWIFT INDIA

Source(s): Media Reports

Case Study: Goldman Sachs transforming into a technology company

THE PRODUCT

- Goldman Sachs started a consumer lending business under the name Marcus in 2016.
- It focused on clients looking to refinance credit card debt. Through Marcus, Goldman Sachs aimed to become a major player for deposits and loans without ever hiring a teller or building a physical branch.

Marcus: BY GOLDMAN SACHS

THE PROGRESS

- As of Q1 2018, Marcus had a customer base of approximately 1.5 million and had originated loans worth more than $3 billion dollars. It has more than $20 billion in deposits.
- Marcus provides the following customer benefits:
  - Interactions across channels that are connected on one database
  - Quick additions of new features, products, and services
  - Ability to address unmet consumer needs
  - Unique features including payment deferral
  - Customer feedback onboarded in a timely manner
- Since the launch of the Marcus brand, Goldman has been an active acquirer of fintech startups, with a major focus on lending and point-of-sale.

DEALS

Date	Target	Transaction Notes
05/09/2018	Trussle	Trussle Lab received $18 million (£13.6 million) in series B funding, co-led by a fund managed by Goldman Sachs Group, Merchant Banking Division, and Propel Venture Partners on May 9, 2018.
04/15/2018	claritymoney Champion of your money	Goldman Sachs bought Clarity Money in April 2018 to expand Marcus, its online lending business. Clarity Money uses AI to help consumers manage their finances, find a better credit card or cancel wasteful accounts.

Source(s): Media Reports

Insurance intermediaries turn to technology in a bid to remain relevant

- Before the increased number of hurricanes in 2017, the (re)insurance market suffered a slowdown due to **shrinking margins, intense competition, and diminishing reserves**, while the low-interest environment dampened investment returns,
- In response to this slowdown, (re)insurers preferred to minimize the risk in the insurance value chain by **skipping intermediaries and selling their products to customers directly**.
- This decision tested **the ability of intermediaries to remain relevant** in the insurance value chain as market participants moved to lower costs and improve efficiency to mitigate falling profitability.
- This softened state also led **to consolidation across the (re)insurance sector**, where the companies focused on technologies benefitting key business areas like product development, distribution, and pricing. However, **the insurers and reinsurers were not wholly successful in delivering what the market wanted.**
- Inefficiencies in the insurance sector created an opportunity for intermediaries to regain their position in the value chain. They are **capitalizing on technology to fix these inefficiencies** and create win-win opportunities for all the players in the value chain.

KEY HIGHLIGHTS

- Prior to 2017, the (re)insurance market suffered a slowdown due to shrinking margins, intense competition, and diminishing reserves,
- (Re)insurers preferred to minimize the risk in the insurance value chain by selling their products directly to the customers.
- The ability of intermediaries to remain relevant in the insurance value chain was tested.
- This softened state also led to consolidation across the (re)insurance sector, where the companies focused on technologies benefitting key business areas like product development, distribution, and pricing.
- Inefficiencies in the insurance sector provided an opportunity for intermediaries to regain their position in the value chain.

Insurance intermediaries turn to technology in a bid to remain relevant

- Brokers, managing general agents (MGAs), and third-party administrators (TPAs) are turning to technology to create value and remain relevant after the prolonged soft market environment. These intermediaries are **monetizing the inefficiencies** in the insurance value chain and **catering to the participants** in the chain to regain their position.
- New product launches resulted in economic and operational challenges. Insurance companies needed to rely on tech-enabled **MGAs and TPAs to augment their capabilities in marketing and product distribution**.
- **TPAs and MGAs use technology to leverage digital consumer experience tools**. This technology creates additional sales and distribution channels for (re)insurers to help manage risk. They also **invest significantly in creating useful insights and analytical models** to benchmark and enhance their administration platforms at the time of underwriting and claims reserving.
- Tech-enabled TPAs and MGAs are **focusing on specific business outcomes** such as a paperless environment, rapid product launches, electronic claims payments, robotics-led conversions, straight-through claims processing, and a flexible execution approach based on characteristics of the insurance block.
- **Insureon** exemplifies this trend. The company streamlines the commercial insurance buying experience with technology. The company enables carriers to serve and distribute insurance to small and medium-sized businesses.

KEY HIGHLIGHTS

- MGAs and TPAs are monetizing the inefficiencies in the insurance value chain and catering to all the participants.
- (Re)insurers rely on tech-enabled MGAs and TPAs to augment their capabilities in marketing and product distribution.
- TPAs and MGAs use technology to leverage digital consumer experience tools.
- They also invest significantly in creating useful insights and analytical models to benchmark and enhance their administration platforms.
- Tech-enabled TPAs and MGAs are focusing on specific business outcomes such as a paperless environment, rapid product launches, etc.

Insurance agents ‘self-disrupt’ small commercial lines

- Though insurtechs are using technology to displace agents in the insurance value chain, there is also a growing number of insurtechs looking to **help the agent distribution channel**.
- The threat to agency channels has been a concern for the past two decades, but not much has changed in the agency distribution system. **Significant opportunities** lie in the agency distribution system for insurtechs focusing on improving **the customer experience and increasing operational efficiency**.
- Insurance agents are experimenting with technology to create value and remain relevant in the insurance value chain. Insurtechs can assist the agents by advising them on the **latest technological advancements** and helping them **continuously experiment with different technologies**.
- Many insurtechs view **small commercial lines** as one area ripe for technological innovation. Many insurance agents have attempted to make small commercial ratings more efficient, but the **cost of obtaining a policy quote remains high and often unprofitable** for them.
- **An opportunity** is available for insurtechs to **streamline the quoting process** in small commercial lines. It would be advantageous from both a sales growth perspective as well as an operational efficiency perspective. Some insurtechs have identified this opportunity and are helping the agency channel with small commercial lines.

Company	Initiatives
xagent	Xagent is well known as a single-entry market access solution for property/casualty agents. Xagent, through its platform, aims to connect multiple carrier systems electronically for faster, easier, and more consistent rating, quoting, and binding for commercial lines.
BOLD PENGUIN	Boldpenguin, based in Columbus, Ohio, develops and operates a commercial-focused insurance agent portal. The portal is a platform where agents, agencies, brokers, carriers, MGAs, and insurtechs can exchange information and trade risks based on their desired goals.
AskKODIAK	Known as Kayak.com for commercial insurance, Ask Kodiak offers a cloud-based, software platform that helps commercial and specialty property/casualty insurers market their products to independent agents, providing them with real-time carrier appetite information, eligibility requirements, and product highlights for rating, quoting, and underwriting decisions.
CORVUS	Corvus Insurance, based in Boston, is a managing general underwriter in the commercial lines market. Corvus offers an online platform called the CrowBar that leverages big data and Internet-of-Things to put tools and insight into the hands of middle market brokers and their clients regarding policy information, claims reporting, loss prevention recommendations, and business intelligence.

Predictive analytics is becoming essential for insurance brokering

- **Predictive analytics is becoming the cornerstone of insurance brokers' customer-first digital strategy**. The millennials and Generation Y buyers rely on digital products and services. They expect to research for insurance products, purchase them, and subsequently transact online.
- Consumers look for three parameters when dealing with insurance brokers and agents - **lower rates, better service, and personalized advice**. To understand the particular needs of their existing and target customers, and build a digital strategy, brokers are investing in **smart platforms that use predictive analytics** and generate insights about the customer expectations for the three parameters.
- Using predictive analytics, insurance agents, MGAs and TPAs can monitor **customer behavior in real time and predict risk** associated with the customer. These analytics help them rationalize their cost structure and pass the benefits on to the customer in the form of low premiums.
- Insurance intermediaries are also **utilizing their alternative data** derived from technologies such as mobile phones, connected car, smart home solutions, emails, Internet of Things (IoT), etc. so that they can provide personalized advice to the customer. In a few clicks, agents, MGAs and TPAs can analyze their database and spot opportunities for potential customers and product or service lines.

The three primary parameters insurance customers care about:

Parameters	% of respondents in favor	Response from brokers
Lower Premiums	67%	Brokers are using predictive analytics to rationalize the cost structure and pass cost benefits to customers.
Better Service	66%	Brokers are using predictive analytics to monitor customer behavior in real time and predict risk.
Personalized Advice	64%	To understand the particular needs and expectations of their existing and target customers, brokers are using predictive analytics to provide personalized advice.

Source: Accenture Financial Services 2017 Global Distribution & Marketing Consumer Study: Insurance Report

Case Study: Swyfft's technology is revolutionizing insurance underwriting

- Swyfft, founded in 2014 and headquartered in Morristown, NJ, underwrites and services policies. It uses analytical methods and unique data sources to evaluate the location of the property and determine the associated risks.
- It uses Big Data backed by Artificial Intelligence technology to assess a property against various parameters such as fires, hail, and tornados. The platform provides an analytical report which is used to estimate the risk of the insured property in negligible time.
- Swyfft is a good example of a technology-embracing MGA and has two distinct advantages from the use of technology:
  - The company canprovide quotes much faster than traditional underwriters.
  - The use of proprietary data and analytics helps Swyfft gain accurate insights about the associated risks so the company can offer a policy at lower premiums.

Financing history

Swyfft raised $7.5 million in Series A funding on January 2017 led by an undisclosed investor.

Swyfft homeowners insurance policies provide the following important coverages:

- Insurance for other structures: The insurance covers other structures on the property that are not attached to the main dwelling.
- Indemnity for personal losses: The insurance also indemnifies for loss of personal property such as patio furniture or a lawnmower.
- Coverage for living expenses: It also covers the insured's cost of staying in a hotel or other location while repairs are being made at the affected property.
- Extended coverage for personal liability: Swyfft's insurance policies also cover expenses arising from a suit filed against the insured for damages due to bodily injury or property damage.
- Expenses owing for medical treatment of third parties: The insurance covers expenses for the medical treatment of third parties affected by damage to insured property.

Swyfft provides the following advantages to the insured:

Fast and friendly

Use of analytical methods and unique data sources enable Swyfft to provide a quote for premiums in a few seconds.

Complete protection

Swyfft homeowners insurance covers the full cost of replacing the property with no deduction for depreciation and no dollar limit.

'A' rated partners

Swyfft has relationships with multiple established carriers, each rated at least "A-" or better by A.M. Best, a global credit rating agency for the insurance industry.

Sources: Swyfft's website, Media reports

Claims processing benefits from process automation technology

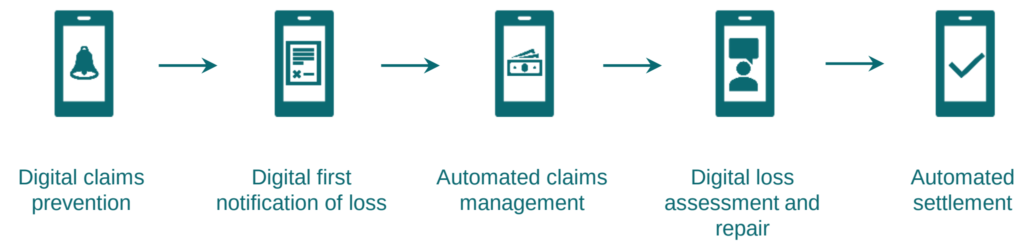
The Evolution of Fintech; Increasing Technology Adoption in Financial Services; The Return of Insurance Intermediaries

- Insurance claims departments are set to become beneficiaries of insurance process automation technologies. Insurance brokers and intermediaries are **automating their claims processes to improve operations** and meet the growing consumer expectations.
- Artificial Intelligence (AI) helps insurance brokers and agents automate the claims process – from submitting to adjudicating claims - thereby **making it less error-prone**. Pure-play digital business models, such as Elafris and Lemonade in the US, Youse in Latin America, and Nexible in Europe are using chatbots to interact with their policyholders. AI-powered virtual insurance chatbots make it easy for a customer to view the history of submitted claims, including the status for current claims as well as payment information.
- In order to ascertain the level of risk associated with a customer, many actuaries **are using machine learning (ML) algorithms in their structured and unstructured data**. They are using **natural language processing (NLP) to classify the feedback** received from customers and improve the quality of services.
- Apart from AI and ML, insurance intermediaries are also finding **innovative uses of Internet of Things (IoT)**. IoT sensors and an array of data-capture technologies, such as drones, are being used for surveys, inspections and detailed documentation on the location of losses.

According to McKinsey:

25% - 30%	Digital claims transformation will reduce claims expenses by 25%-30%.
20%	Digital claims transformation will improve the customer satisfaction scores by approximately 20%.
70% - 90%	By 2030, headcount associated with claims will be reduced by 70%-90% compared with 2018 levels.
90%	By 2030, Insurers will be able to achieve straight-through-processing rates of more than 90% and dramatically reduce claims processing times from days to hours or minutes.

The end-to-end digitization of a customer journey



Source: Insurance 2030 - The impact of AI on the future of insurance by McKinsey, Claims in the digital age: How insurers can get started by McKinsey

Evolve Capital Partners

Case Study: Milliman launches InsurTech solution loss reserving

The Evolution of Fintech; Increasing Technology Adoption in Financial Services; The Return of Insurance Intermediaries

- Milliman, Inc. was founded in 1947 and is headquartered in Seattle, WA. The company provides actuarial and other related products and services in the US and internationally.
- Milliman offers products and services in the areas of analytics, employee benefits, healthcare, and insurance. Its services include benchmarking, enterprise risk management, forecasting, predictive modeling, hedging, product development and pricing, regulatory and financial reporting and analysis, accounting standards, actuarial consulting, claims management and financial analysis.
- On January 3, 2018, the company launched an advanced analytics software for loss reserving for the (re)insurance sector, called Arius Enterprise. This cloud-based insurtech solution enables processes to be streamlined and improves the efficiency for actuarial reserving departments.

Features of Arius Enterprise

- **Centralized database,** that provides analysts with direct access to the data, when required.
- **Automated processes** to help with routine steps, such as new period setup, initial selections, and batch printing of reports.
- **Summarization tools** that help efficiently pull the analyses together.
- **Graphic and data visualization tools** that help with presentation of results in a clear and precise manner.
- **Project management tools** that help track ongoing projects. These tools help in the management of resources.
- **Security and governance controls** over all aspects of the team's work.

Arius Enterprise

- Arius Enterprise combines immediate access to data and superior tools for analyzing and reporting on the results, along with systems to automate much of the mundane work in the regular reserve review and analysis process.
- By handling many of the mundane but necessary parts of the process, Arius Enterprise allows professionals to spend more time on areas that require professional expertise.

Arius collaboration with Microsoft

Arius Enterprise is based on Microsoft's reliable Azure cloud computing platform. This collaboration helps the analyst using Arius obtain secure access to the tools and data. The software also relies on Microsoft's industry-leading Power BI data visualization solution providing clear, modern dashboards for users.

Sources: Milliman,s website, Media reports

Deal Activity

Evolve Capital Partners

Deal Activity

Key Industry Transactions

In the first half of 2018, we have seen an increase in deal activity as well as in the number of strategic partnerships. Deal activity has primarily involved large players acquiring or funding fintechs at high valuations. Such **acquisitions allow the large players to improve the customer experience and offer new services**. Companies have entered strategic partnerships with technology players as they realize that technology has **the potential to improve the current methods and processes**.

Highlighted Transactions

Date	Company	Acquirer / Investor	Type	Value ($ mm)	Comments
05/09/2018	Trussle	Goldman Sachs; propel VENTURE PARTNERS	Equity Investment	$18	Trussle Lab, a UK-based online mortgage broker, received $18 million (£13.6 million) in series B funding, co-led by Goldman Sachs Group, Merchant Banking Division, and Propel Venture Partners. The company issued equity in the transaction. The company will use the proceeds to accelerate growth and incorporate further automation in its product.
05/08/2018	Betterview	Nationwide	Equity Investment	NA	BetterView received funding from Nationwide Ventures. The company provides aerial imagery, data, and analysis services for insurance, real estate, property management, and construction industries in the US. BetterView intends to use the proceeds to expand its machine learning platform across additional data sources and provide valuable insight about commercial and residential properties to P&C (re)insurers.
04/26/2018	weebly	Square	Acquisition	$370	Square, a provider of payment and point-of-sale solutions in the US, acquired Weebly, a provider of online website creation services, for $370 million. The acquisition will help Square create a cohesive solution for entrepreneurs looking to build an online and offline business.
02/14/2018	highradius Integrated Receivables	citi VENTURES; PNC	Equity Investment	$50	HighRadius Corporation, a provider of cloud-based integrated receivables software, received $50 million in a growth funding round from new investors Citi Ventures and PNC's Investment Arm. The company intends to use the proceeds to expand into the business-to-business payment industry.
02/02/2018	goBundl	TIA	Acquisition	NA	TIA Technology A/S, a developer of insurance software solutions, acquired goBundl, a developer of online insurance platforms for insurance consumers. The incorporation of goBundl technology onto the TIA platform is part of TIA's overall ecosystem strategy. It lets TIA offer one vendor solution for both core and digital product offerings.

Source: Capital IQ, Press Releases

Company Interviews

“Industry Insight”

Evolve
Capital Partners

ECP Newsletter Overview

Company C-Suite - Bios

Exclusive Interview

trōv

- Scott Walchek is the Founder, CEO, and Chairman of Trov.
- Over the past 25 years, he built companies such as Macromedia, Sanctuary Woods, C2B Technologies and DebtMarket. He was also a co-lead investor and founding director of Baidu, China’s largest search engine.

Exclusive Interview

Slice

- Tim Attia is the CEO and Co-Founder of Slice.
- Prior to Slice, Tim was EVP, Sales and Marketing at BOLT Solutions. He previously served as VP at Exigen Insurance Solutions and as Senior VP at Camilion Solutions.
- He holds a BS in Electrical Engineering from McGill University.

Exclusive Interview

socotra

- Dan Woods is the CEO and Founder of Socotra.
- Prior to Socotra, Dan was a venture partner at Formation 8. He previously served as Head of Partnerships at Palantir.
- He holds a MS in Computer Science from Stanford University and a MS in Computer Engineering from Kettering University.

Trōv Overview

Company Profile

trōv

Headquarters: Danville, California
Founded: 2012

Scott Walchek
Founder & CEO

Mark Dowds
Co-Founder; Chief Strategy Officer

Scott Walchek is the CEO and Founder of Trōv. He is a successful technology entrepreneur. Previously, Scott was an Founder and CEO of DebtMarket, selling the company to Intercontinental Exchange in 2011. Prior to that, Scott was a Co-Founder and Managing General Partner of Integrity Partners LLC Tech VC Fund. He built companies such as Macromedia, Sanctuary Woods, and C2B Technologies. He was also a co-lead investor and founding director of Baidu, China's largest search engine.

Mark Dowds is co-founder and chief strategy officer of Trōv. Over the last two decades, he has helped launch dozens of ventures through his Canadian-based incubators, Fresh Initiatives and Creationstep. Mark was also an LP in Bullet Time Ventures, an early seed investor in Uber, Twilio and many more emerging tech startups.

TROV OVERVIEW

- Trōv is the world's leading On-Demand Insurance technology company, revolutionizing the way people protect the things they care about. Trov's consumer application enables people to insure single items, for just the period of time they need, entirely from their mobile device. Trōv also provides tailored insurance technology for innovative companies.
- Trōv is designed to simplify insurance service for single items through its revolutionary cloud-native platform, that features micro-duration policies, algorithmic pricing, integrated billing and intelligent bot-assisted claims. The Trōv application and policy are industry firsts. Trōv users are presented with personalized quotes and can instantly turn insurance on or off for an individual item, for whatever length of time they need, paying only for the coverage they use.
- The company released its first U.S. insurance product, Trōv Mobility, in late 2017 in partnership with Waymo, Alphabet's self-driving technology unit. Trōv Mobility uses capabilities from its on-demand insurance platform to provide protection for passengers using Waymo's self-driving transportation service, which is due to launch later this year.
- Trov's major investors include Anthemis Group, Pivot Investment Partners, Suncorp Group, Oak HC/FT, Guidewire Software, Sompo Japan Nipponkoa Holdings, and Baloise Holding. Other investors include Munich Re/HSB Ventures, CNF Investments, and Gordon Bell.

Source(s): Trōv, Trōv Website, Capital IQ, Pitchbook

Trōv Overview

Interviewee Profile and Company History

INTERVIEWEE PROFILE

Scott Walchek
Founder & CEO

- Scott Walchek is a renowned Silicon Valley technology entrepreneur who has spent more than 25 years building companies that deliver world-class innovation in software, emerging media, and commercial online marketplaces.
- In 2012, he founded Trōv, the world's leading On-Demand Insurance technology company, where he currently serves as CEO and Chairman of the Board. Prior to Trōv, Scott established electronic consumer debt trading platform DebtMarket, which he sold to Intercontinental Exchange in 2011.
- In 2000, he founded boutique VC fund Integrity Partners LLC, serving on its portfolio companies' board of directors and later operated as a director at China's dominant search engine, Baidu. Previously, Scott served as CEO of media developer and publishing company Sanctuary Woods and head of e-commerce at Inktomi. Scott was a founding member at Macromedia where he served as worldwide director of product management.

COMPANY HISTORY

$45 million *April 06, 2017*	The company raised $45 million of Series D venture funding in a deal led by Munich Re/HSB Ventures, putting the company's pre-money valuation at $300 million. Baloise Holdings, Sompo Japan Nipponkoa Holdings, Oak HC/FT, Suncorp Group, Guidewire Software and Anthemis Group also participated in this round. The company intends to use the funds to bring its platform globally, expand the categories of items it covers and accelerate the development of new applications.
$26 million *April 26, 2016*	The company raised $26 million of Series C venture funding in a deal led by Oak HC/FT, putting the company's pre-money valuation at $51 million. Suncorp Group, CNF Investments, Pivot Investment Partners, Guidewire Software and Anthemis Group also participated in this round. The company will use the funding to further develop its technology and expand business globally. With the round, the company has now raised a total of $39 million in total funding to date.
$4 million *June 01, 2015*	The company received $4 million of venture funding through a combination of debt and equity from Pivot Investment Partners and Anthemis Group.
Key Investors	anthemis group, PIVOT Investment Partners, Guidewire, Bâloise Holding, Suncorp, OAK HC/FT, SOMPO

Source(s): Trōv Website, Capital IQ, Pitchbook

Trōv Overview

Q&A with Scott Walchek, Trōv

Scott Walchek
Founder & CEO

Q: Please describe Trov's business to us in your own words.

A: Trōv is the world's leading on-demand insurance technology company, revolutionizing the way people protect the things they care about. Trov's smart insurance platform powers innovation from intuitive consumer experiences (i.e., the Trōv app) to advanced business applications and partnerships (e.g., Trōv partnered with Waymo to provide the first insurance for passengers of driverless cars). Trov's mission is to make insurance smart: to make it easy for people to protect any single items, anywhere in the world, for any amount of time.

Q: Why is now the right time for Trov's solutions?

A: Trov's timing couldn't be better thanks to the culmination of four crucial factors happening right now:

1) The sharp increase in on-demand consumer services across industry sectors (technology, transportation, entertainment, hospitality, etc.).
2) The insurance sector has remained mostly unchanged for almost 300 years.
3) The fastest growing segment of Trov's TAM, millennials, are the most underinsured generation of all time.
4) Traditional insurance policies for personal items have been inflexible and opaque, forcing consumers to pay for protection of things they don't care about for unnecessary periods of time.

Trov's groundbreaking platform—on-demand insurance technology with a reinvented policy— is creating a fundamentally reimagined insurance experience that gives users exactly what they're looking for: greater control, simplicity, and transparency.

Q: What is Trov's revenue model?

A: With our direct-to-consumer business, each month we collect 100% of the gross written premium, retain a percentage, and pass the remainder to our underwriting partner. Our B2B (powered-by-Trov) business model is similar, however we receive guaranteed annual minimums with on-going participation in the GWP.

Trōv Overview

Q&A with Scott Walchek, Trōv (Continued)

Scott Walchek
Founder & CEO

Q: What new technologies have enabled Trōv to launch its service?

A: Trōv is innovating with software technology designed to deliver unique insurance products.

To accomplish real breakthrough, however, we're trying new go-to-market and business model strategies. Our world-class engineering team has reimagined the insurance platform from scratch. Key components are micro-duration policies, algorithmic pricing, integrated billing, advanced fraud detection, and intelligent bot-assisted claims.

Trov's smartphone app (available on iOS and Android) features **Swipe-to-Protect** insurance coverage. Users turn insurance on and off with a swipe of their finger and are billed only for the time they keep it on, calculated down to the second.

Trov's **Smart Premium** is a breakthrough tech solution that regularly modifies a user's monthly premium based on the value of the items protected. Trov's tech continuously tracks the retail replacement values of the items its users protect and adjusts its premiums accordingly so users are never overcharged.

Trōv also tailors its on-demand insurance platform for robust enterprise solutions, especially in **Mobility**. As mentioned above, Trōv announced a partnership with Waymo, Alphabet's self-driving ride-hailing service. Operating behind the scenes, Trōv will provide Waymo's driverless car passengers with insurance for lost and damaged property, and medical expenses resulting from rides.

Q: How much of the total market are you expecting to disrupt from traditional insurers? Can you put a value on the total market opportunity out there for us?

A: The global P&C insurance market is one of financial services' most attractive verticals, in which annual recurring revenues (ARR) are approaching $1.5T. To get a sense of its scale, capturing just one basis point of market share (.01%) equates to $150M ARR. By expanding our capabilities to multiple lines of risk, partnering with emergent leaders, and innovating around technology, insurance products, and user experience, we hope to capture several basis points.

Trōv Overview

Q&A with Scott Walchek, Trōv (Continued)

Scott Walchek
Founder & CEO

Q: What are the key hurdles / challenges that Trōv faces?

A: As a first mover in on-demand insurance, Trōv faces several challenges:

1) The regulatory environment of the insurance industry varies across governments. Compliance requirements differ across countries and states. Trōv, in cooperation with our underwriting partners, has developed entirely new insurance policies that are aligned with the lifestyles of a connected consumer, and the tech pipes to deliver it on demand.
2) Trōv is introducing an innovative product to an entrenched industry that has never experienced on-demand insurance before. This requires great effort. Fortunately, our design and engineering teams embrace the challenge and have designed the product experience to be simple and intuitive for both consumers and industry professionals.
3) Fraud prevention is an unavoidable risk for any insurance company. To help mitigate this risk, Trōv has a number of protection techniques built into its system, such as flagging any claims made within a certain amount of time of a new product being registered. These items would then require extra information for any claim to be processed. A huge advantage of being a tech platform is that Trōv has data from over one million days (and growing) of protecting items and user behavior. This corpus of data—combined with principles of machine learning—surface insights and patterns that proactively trigger alerts for fraudulent behavior.

Q: How is Trōv differentiated against potential competitors, and who might some of them be?

A: What makes Trōv stand out from competitors is its unique offering (on-demand, micro-duration coverages applied to multiple risks), global footprint, and deep technological expertise and leadership. There is no other company that provides micro-duration policies (down to the second), charges micro-premiums (down to the penny) using algorithmic pricing, all while utilizing chat robots to manage claims and modernize the UX/customer service experience at the global scale of Trōv. From a brand perspective, competitors don't have our dedication to world-class user experience design, with the team winning the coveted D&AD Design and Core77 awards.

Trōv Overview

Q&A with Scott Walchek, Trōv (Continued)

Scott Walchek
Founder & CEO

Q: What industry trends are providing tailwinds for Trōv?

A: In addition to the four trends listed in question #2 above, three industry trends are a positive force behind Trov's on-demand insurance:

1) We are in the middle of the Age of Individual Agency. As mobile devices become more and more capable, consumers increase in personal agency ("I control my world through my smartphone"). As a result, services have become more and more on-demand, and Trōv is the first to introduce the tech platform powerful enough to apply this trend to the insurance industry for both consumers and enterprises.
2) More people are travelling, living untethered, and working remotely. To protect their valuable items, such as DSLR cameras, phones, and laptops while moving around, they have traditionally been required to purchase a static, long insurance policy with geographic limitations. Trōv serves the travelling consumer with a smart, flexible insurance alternative that works anywhere in the world and covers single items on-demand (e.g., Going on trip? Swipe Trōv on. Back from a trip? Swipe Trōv off.)
3) Intuitive customer experience. The Spotify generation expects Tinder-like interfaces. Clunky, complex interfaces are out. Simple and clean interfaces are in. Users of the Trōv app upload a photo of their product, receive a market price-adjusted quote, swipe insurance on and off, and file a claim expediently with the Trōv chatbot, all from their mobile device.

Q: Many of the insurtech companies have not gone through an economic downturn, what do you think will happen to the space if/when this happens? How is Trōv better equipped for this scenario compared to its peers?

A: If insurtech were hit and the industry seized up, Trōv would continue to grow and outpace its competitors for four reasons:

1) **Capital fortitude** — Trov's strategic investors outnumber its VCs, which is better for smoothing the potential for economic turbulence, and grants greater access to capital from good investors and a strong board.
2) **Seasoned leadership** — Competitors would have a hard time matching the decades of tech startup experience the leadership team at Trōv has assimilated. Trōv is led by a proven team with multiple exits and has persevered through several market recessions with strong results.
3) **Longer time in market** — Trōv was founded in 2012 and has had more time than others to develop a product line, diversify our revenue streams, and reduce our dependence on a single line's success.
4) **Strong network of partnerships** — Trōv stands shoulder-to-shoulder with multi-decade, stable industry partners. The diversity of our distribution and private-label partners, combined with their brand awareness, provide a confident resilience to carry us through otherwise difficult economies.

Also, and importantly, many insurtechs are "experiments" emanating from the innovation arms of incumbents. In economic downturns, corporate muscle-memory gets triggered and most peripheral activities are shut down, or cut way back.

Trōv Overview

Q&A with Scott Walchek, Trōv (Continued)

Scott Walchek
Founder & CEO

Q: Trōv currently provides on-demand insurance coverage for single-items such as phones, laptops, TV's, tablets, and appliances to name some. Will we see an extension of on-demand coverage provision into larger higher value personal items such as cars, motorcycles, or even specialty items such as snow-mobiles?

A: Trov's mission is to help anyone protect anything they care about, for any amount of time, anywhere in the world. We've recently added new functionality that enables a user to add nearly anything to the collection of protectable items, so eventually, nothing of value will be excluded from our catalog.

In order to realize that mission we're hyper-focused on three important areas of expansion:

1) **Categorical** - We're always working to increase our catalog to include more protectable items. In July 2018, for our US roll-out, we introduced two new categories to the growing index of Trov's protectable items: sports equipment and musical instruments. Over time these new categories will become fully populated as their fidelity is enhanced with usage.
2) **Geographical** - Bringing our on-demand insurance platform to more countries and regions.
3) **Distribution** - Partnering with innovative companies (and not just insurance incumbents) to extend our platform's reach and capabilities so that customers can have a seamless experience protecting anything.

Thank you Scott.

Slice Overview

Company Profile

Headquarters: New York, New York
Founded: 2015

		
Tim Attia Co-Founder & CEO	Ernest Hursh Co-Founder & VP BizDev/Mktg	Stuart Baserman Co-Founder & CTO
Tim Attia is the CEO and Co-Founder of Slice. His work focuses on the emerging business opportunities that have arisen as the economy transforms in conjunction with technology. Prior to Slice, Tim was an EVP, Sales and Marketing at BOLT Solutions. He was responsible for sales, marketing and business development for BOLT. Tim previously served on the Board of Directors at Workface. He holds a BS in Electrical Engineering from McGill.	Ernest Hursh is the Co-Founder and VP of BizDev & Marketing at Slice. Prior to Slice, he was a Managing Director focused on Carrier Strategy and Sales at BOLT Solutions. He worked with large insurance carriers to provide the leading online sales and client service platform for online customers. Ernest previously served as Regional Sales Director of Exigen Insurance. He holds an MBA from Fairleigh Dickinson University and a BS in Germanic Studies from the University of Nebraska-Lincoln.	Stuart Baserman is the Co-Founder and CTO of Slice. He has a strong passion for applying technology to improve people's lives. Stuart has over 16 years of experience in insurance and insurance tech. Prior to Slice, Stuart was CEO of Bazer Management, CTO of Ajengo, and Director at CGI, a worldwide IT and management consulting firm. Stuart was early in the startup of Camilion and also a member of the team at BOLT and the BOLT Platform. Stuart has an electrical engineering degree from McGill University.

Source(s): Slice Website, Capital IQ, Pitchbook

SLICE OVERVIEW

- Slice Labs is an insurance technology startup that offers an on-demand insurance platform to support the on-demand economy. The platform allows participants to easily purchase insurance policies when they need them without committing to annual plans. It works the way people work in the on-demand marketplace — they only pay for the insurance they need, when they need it.
- Slice Labs provides on-demand pay-per-use insurance for the on-demand economy. Insurance is acquired with the tap of a smartphone app and billed directly to customers' credit cards. It offers a pay-per-use policy for Uber and Lyft drivers that covers drivers from the time they turn on the rideshare application until they turn it off.
- Slice Lab's goal is to reimagine insurance through design, data, and technology. Slice not only has customers up and running fast and at affordable rates, but also delivers top-of-the-line coverage so that customers are protected from a full spectrum of incidents. Slice also offers customers an easy and worry-free claims experience.
- Notable investors in Slice include Horizons Ventures, Munich Re/HSB Ventures, Plug and Play Tech Center, Sompo Japan Nipponkoa insurance, and XL Innovate.

Slice Overview

Interviewee Profile and Company History

INTERVIEWEE PROFILE

Tim Attia
Co-Founder & CEO

- Tim Attia is the CEO and Co-Founder of Slice. He is pleased to use his background in insurance and financial technology to apply intelligent design, data, and technology to solving the gaps and risks facing the growing on-demand workforce.
- Tim began his career with a large technology and management consulting firm, and has since continued to worked with major global insurance carriers on technology and distribution. During his career at BOLT Solutions, he gained first-hand experience in how the development of technology can change marketplaces and generate new business opportunities.
- Tim Holds a BS in Electrical Engineering from McGill. Tim's mission today is ensuring the on-demand insurance platform is able to satisfy consumers' buying or selling on-demand services.

COMPANY HISTORY

$11.6 million *October 05, 2017*	The company raised $11.6 million of Series A venture funding in a deal led by XL Innovate. Horizons Ventures, Munich Re/HSB Ventures, Sompo Japan Nipponkoa, and Plug and Play also participated in the round. The company intended to use the funds to scale their on-demand offering for new products and jurisdictions and to accelerate the deployment of its On-Demand Digital Insurance Platform via marquee partnerships.
September 27, 2016	The company joined Plug and Play Tech Center as a part of its Insurance program First Batch.
$3.9 million *March 29, 2016*	The company raised $3.9 million of seed funding in a deal led by Horizons Ventures and XL Innovate. Other undisclosed investors also participated in the round. The company used the funds to launch its first product.
Key Investors	Horizons Ventures 維港投資; SOMPO; PLUG AND PLAY Silicon Valley in a Box®; Munich RE; 1866 HSB Engineering Insurance; XL Innovate

Source(s): Slice Website, Capital IQ, Pitchbook

Slice Overview

Q&A with Tim Attia, Slice

Tim Attia
Co-Founder & CEO

Q: Please describe Slice's business to us.

A: Slice Labs positions the gig economy for opportunity, prosperity, and sustainability with the first on-demand insurance product launched in the United States. Slice Insurance Cloud Services ™ (ICS) enables large insurers to deliver new value to loyal consumers through direct insurance or insurance agent models without the need to invest in the infrastructure to deliver customized on-demand insurance products. Slice on-demand insurance and ICS solutions are supported by advanced big data and machine learning technologies along with Ph.D. behavioral science expertise, and over 100 years of combined insurtech experience on the Slice leadership team. Slice also operates in Canada and the U.K.

Q: Why is now the right time for Slice's solutions?

A: The old-world insurance model where customers have little control over how insurance is purchased and used is broken. This is why we are seeing Amazon, Apple, and other companies entering the healthcare and insurance industry. Insurers are increasingly challenged with how to remain current and competitive for the 21st-century insurance customer due to an antiquated technology infrastructure that would take tremendous investment to modernize. Slice was founded on the principle that technology should drive the insurance transaction and that insurance should be sold on a per-use, on-demand basis. This has led Slice to launch an on-demand insurance product for the gig economy and to use that on-demand product as the basis for the release of a cloud insurance platform – Slice Insurance Cloud Services™ (ICS). Insurers want to be digital, the world is on-demand (Netflix, Uber, Amazon) and we have a real, viable way to get them there.

Q: What new technologies have enabled Slice to launch its service?

A: Slice on-demand insurance and Slice ICS solutions are powered by advanced big data and machine learning technologies along with Ph.D. behavioral science expertise. The 100+ years of combined insurtech experience of the Slice leadership team rounds out the leading technology approach.

Slice Overview

Q&A with Tim Attia, Slice (Continued)

Tim Attia
Co-Founder & CEO

Q: What is Slice's revenue model?

A: For Slice on-demand, pay-as-you-go insurance, prices vary based on the property but on average it is $7 per night. We license the Slice ICS platforms to carriers for a monthly percentage of the premium subscription.

Q: How much of the total market are you expecting to disrupt from traditional insurers? Can you put a value on the total market opportunity out there for us?

A: We see that about 10% of the market can be digitized and another 10% if we address gaps in the current market caused by the new economy, which will be digital and on-demand first. As insurance moves more towards being embedded in an ecosystem, we see it reaching as high as 30%, but that will take many years.

Q: What are the key hurdles/challenges that Slice faces?

A: Being able to scale our innovation globally is the largest barrier. That's why we're looking to partner with the largest and most innovative incumbents or other platform players in each market.

Q: What industry trends are providing tailwinds for Slice?

A: The drive for insurers to be digital as a result of research by and advice from consultancies and academics (McKinsey, Accenture). The threat of entry into the market by the digital dynasties. As a result, insurers are desperately looking for ways to be able to go 100% digital to survive. The emergence of ecosystems mobility, travel and leisure, and dwelling is also forcing them to look at ways of supporting those customer journeys.

Slice Overview

Q&A with Tim Attia, Slice (Continued)

Tim Attia
Co-Founder & CEO

Q: How is Slice differentiated against potential on-demand insurtech companies, and who might some of them be?

A: As the first company to market in both on-demand and ICS market segments that is one of the largest advantages Slice has. There are currently no companies offering on-demand/pay-per-use homeshare insurance or an ICS platform. Slice is the first to cover the US and strives to have a global footprint with partners. We also support all property and casualty lines as long as they are digital. We're the first of the on-demand insurtechs to launch our platform and to have significant traction in the market.

Q: Many of the insurtech companies have not gone through an economic downturn, what do you think will happen to the space if/when this happens? How is Slice better equipped for this scenario compared to its peers?

A: Slice has already started to scale and prove that our unit economics work. This will allow us to grow quickly if we want to. Slice has also been very capital efficient to get to the point of market fit. The bottom line is that we'll have a more solid business model from a revenue, customer acquisition, and cost perspective compared to peers. Our revenue engine is sound.

Q: In 2014, you published a LinkedIn article about how insurers should learn from superstores like Costco and Walmart, and focus on selling the brand as opposed to product. With the sharing economy expanding past home and ridesharing, how is Slice adapting itself to these changes? And can we expect to see additional products from Slice in the future?

A: I wrote that article many years ago, but it applies today. It's one of the reasons we're offering Insurance Cloud Services to incumbents so they can scale products quickly. We plan to have most property and casualty lines covered as long as they are digital and on-demand. We're on the verge of enabling insurers to launch ground-breaking products in cyber insurance and travel in the latter part of 2018. Slice's products will continue to adapt to the expansion of the gig economy and enable big brands to maintain customer trust and wallet share.

Slice Overview

Q&A with Tim Attia, Slice (Continued)

Tim Attia
Co-Founder & CEO

Q: Slice recently launched its on-demand digital insurer-as-a-service platform to help traditional insurers bridge the gap to offering digital insurance products. Many insurance executives have commented that insurtech companies are beginning to realize that the full-disruption model does not work, and are now shifting their focus to a collaborative one. Do you see collaboration to be a temporary fix for traditional insurers? And what does this move mean for Slice moving forward?

A: I think we’ve proven now that we can innovate. From the start, we knew that if we could truly innovate then we would need a way to scale and hyperscale. Our hypothesis is that we can do so by licensing our innovation to grow by product and jurisdiction. The core hypothesis is that we can innovate, but scale is an issue, The incumbents have scale but can’t innovate. Airbnb is in 191 countries. We asked ourselves how we could get there in 18 months if it took the largest insurers 150 years to get to 68 countries. We came up with Slice ICS.

We are now looking to cover a fair amount of territory by the end of this year, and we saw our fourth year starting October 2018 as hyperscale. It’s an important step in helping insurers to modernize and remain competitive. Over the next few years as Slice ICS continues its fast rate of adoption we expect to see greater confidence from insurers in the value of digital insurance products and they’ll be more likely to accept a vision for comprehensive disruption. The collaboration stage is about proving the value of this new world of insurance.

In fact, this is similar to how the cloud computing industry has grown over the past decade as businesses, governments, education institutions, and non-profits realized they did not need to spend millions of dollars to own and manage physical infrastructure. Today, there are millions of cloud computing customers that use AWS, Azure, Google, IBM, and other vendors. We expect this cycle to repeat in the insurtech space, and Slice is at the forefront of driving this transformation.

Thank you Tim.

Socotra Overview

Interviewee Profile and Company History

socotra

Headquarters: San Francisco, California
Founded: 2014

Dan Woods
Founder & CEO

Dinesh Shenoy
Head of Product Delivery

Dan Woods is the CEO and Founder of Socotra. Prior to Socotra, Dan was a venture partner at Formation 8, where he organized the IT investment team and managed all IT-related investments. Previously, Dan was a Software Engineer, Forward Deployed Engineer, and Head of Partnerships at Palantir Technologies. Dan received a MS in Computer Science from Stanford University and a MS in Computer Engineering from Kettering University.

Dinesh Shenoy is the Head of Product Delivery at Socotra. Prior to Socotra, he was a Forward Deployed Engineer / Business Associate at Palantir Technologies. He also served as Co-Founder of eStationer. Dinesh holds a MS in Management and Engineering, Technology and Policy from Massachusetts Institute of Technology – Sloan School of Management. He also holds a BS in Electrical Engineering/Computer Science from University of California, Berkeley.

SOCOTRA OVERVIEW

- Socotra is the core technology platform of tomorrow's digitally-transformed insurer. Only Socotra brings the staggering technology infrastructure advances of the last decade to the insurance industry. The result is a new, simplified, radically open, cloud-native core platform that unifies underwriting, policy management, claims, billing, reinsurance, reporting, and more. Socotra supports both property & casualty and life insurance businesses.
- Socotra is focused on building the most modern cloud-based platform for technology-driven insurers. They are re-imagining and re-inventing technology for one of the world's largest and most technologically neglected industries. Socotra's vision is to become the technology platform that powers insurance businesses everywhere.
- Socotra's productized design and extensible architecture empowers insurers to prototype, launch, and update quickly and easily. The Socotra platform is built from the ground-up using the latest technologies to be transparent, reliable, flexible, and secure. Socotra delivers agility, reliability, and a clear path to the many insurtech promises of today and tomorrow.

Key Investors	CRUNCH FUND, GGH, SVAngel, USAA, FOUNDERS FUND, HVF, VULCAN Capital

Source(s): Socotra Website, Capital IQ, Pitchbook

Socotra Overview

Q&A with Dan Woods, Socotra

Dan Woods
Founder & CEO

Q: Please describe Socotra's business to us.

A: Socotra is the first productized, first cloud-native, and first openly-documented insurance core technology platform.

Q: Why is now the right time for Socotra's solutions?

A: The insurance industry is being overturned by software--"insurtech," it's called. Incumbent insurers want to leverage new distribution channels, data sources, devices, and insurance products. To accomplish this, they need to free themselves from their old, monolithic, highly-customized back office software. Insurers are now seeing through the cycle of hype and disappointment, and they want productized platforms that allow them to rapidly prototype before they buy. As simple, tangible evidence of this shift, notice the number of insurers that have started venture arms in the last five years. Notice how many have innovation labs. Notice the explosion of insurtech conferences. Thought patterns are changing rapidly in this industry, and it needs a new core technology that reflects the new ways of doing business.

Q: What new technologies have enabled Socotra to launch its service?

A: No company has previously succeeded in productizing core insurance technology. All of the previous attempts have morphed into custom platforms with a discrete set of hard-coded insurance product lines. Today, the problem has become tractable to Socotra due to technologies like AWS, Docker, continuous delivery tools, and large-scale storage. Until recently, only the largest web companies could continuously deploy high-availability, large-scale services.

Q: What is Socotra's revenue model?

A: Socotra's main source of revenue is from the licensing of its open-document insurance core technology platform.

Socotra Overview

Q&A with Dan Woods, Socotra (Continued)

Dan Woods
Founder & CEO

Q: How much is the total market opportunity out there? Can you put a value on it for us?

A: Insurance IT spend is approximately 3% of premiums, and roughly 1% on core systems (depending on the definition of ‘core’). In the worldwide market, this puts the total opportunity close to $50B!

Q: What are the key hurdles / challenges that Socotra faces?

A: The insurance industry has long sales cycles and a risk-averse culture. Vendors desiring to operate insurers’ core operations face barriers to entry. Strong demand doesn’t always mean fast execution. Once successful, those same forces protect vendors’ positions.

Q: What industry trends are providing tailwinds for Socotra?

A: Great tailwinds come from the insurtech movement, which is prompting every insurer to rethink its IT in order to provide the products and services required to compete in tomorrow’s market. The general movement of all IT to the cloud creates the open question of which cloud technology insurers will use for their core systems after that transformation.

Q: How is Socotra differentiated against potential competitors? Who are your closest competitors right now?

A: Socotra is the only vendor in the core insurance technology space with a true product—one identical cloud platform for all customers. It’s also the only platform agnostic to region or insurance product. Finally, it’s the only platform with open APIs and configuration formats, which any customer can learn to use (even with a free 30-day evaluation).

Socotra Overview

Q&A with Dan Woods, Socotra (Continued)

Dan Woods
Founder & CEO

Q: What will the insurance world look like when everyone uses Socotra's technology platform?

A: With widespread use of Socotra, insurers are able to try technologies, make changes, integrate data, utilize new distribution channels, and launch insurance products far faster and cheaper than ever before. Then, insurers are able to achieve much higher agility and concentrate all their engineering efforts on differentiators.

Q: Do you see larger incumbents developing solutions internally to play catch-up or are they looking more towards third-party providers like Socotra?

A: History shows that IT tends towards specialization, productization, and outsourcing. Once a portion of a technology stack is sufficiently identical for a sufficiently large market, specialized vendors will create products to alleviate enterprises from having to re-invent technologies that don't differentiate them. Accelerating this trend, the increased quality and complexity of offerings created by specialized vendors makes it increasingly intractable for enterprises to expend increasing resources to keep up. For example, AWS is replacing corporate data centers, and Gmail is replacing internally managed mail servers. Except for the largest web companies (where the data center is a differentiator), enterprises are not increasing investment on their data centers to "play catch-up."

Q: How do you see the relatively conservative insurance industry changing over the next few years with the migration to the cloud? How much of the current IT budget in the insurance industry can be freed up by the shift to cloud infrastructure?

A: I believe migration to the cloud will take much longer than a few years, but it is coming! One year ago, every sales meeting with a large insurer included them asking for Socotra's on-premise strategy. Thus far in 2018, literally zero insurers have asked for our on-premise strategy. For such a slow-moving industry, this is a remarkably fast change of mindset! I don't predict that shifting to new technologies (such as cloud or Socotra) will significantly reduce overall insurer IT budgets. Rather, they'll permit insurers to concentrate their technology resources on things that differentiate them from competitors. Insurers can then support more product lines, more distribution channels, more data sources, better pricing, and newer ancillary technologies.

Thank you Dan.

Transaction and Partnership Themes

Evolve
Capital Partners

Transaction and Partnership Themes – Insurance

Insurance | Bank Tech | Payments | Securities

Q2:2018 witnessed an increase in funding activity in the insurance space. Tech-enabled MGAs and TPAs have become an attractive bet for investors.
The sector is witnessing increased partnerships between the insurance intermediaries who are using technology for better distribution and marketing of insurance products.

Relevant Recent Transaction / Partnership (1/2)

Date	Company	Partner / Acquirer / Investor	Type	Transaction Details
05/10/2018	anorak	TRUELAYER	Partnership	London-based insurtech Anorak partnered with TrueLayer, a leading provider of financial APIs, for the application of PSD2 into the life insurance market. This collaboration will enable Anorak to provide consumers with policy recommendations based on their financial needs and demographics.
05/08/2018	Betterview	Nationwide	Equity Investment	BetterView received funding from Nationwide Ventures. The company provides aerial imagery, data, and analysis services for the insurance, real estate, property management, and construction industries in the US. BetterView intends to use the proceeds to expand its machine learning platform across additional data sources and provide valuable insight about commercial and residential properties to P&C (re)insurers.
04/30/2018	LeaseLock	WILDCAT Venture Partners; Liberty Mutual Innovation	Equity Investment	LeaseLock, an insurtech for the rental housing market, received $10 million in Series A funding led by Wildcat Venture Partners. The company intends to use the funds to aggressively expand its sales and marketing efforts as well as broaden and accelerate product development.
04/26/2018	mitchell	STONE POINT CAPITAL	Acquisition	Stone Point Capital acquired an equity position in Mitchell International. Mitchell International is a leading provider of technology, connectivity and information solutions to the Property & Casualty (P&C) claims and Collision Repair industries. Stone Point Capital intends to support Mitchell's future growth plans as it continues to invest in its market-leading solutions.

Sources: Capital IQ; Pitchbook; Press Releases

Transaction and Partnership Themes – Insurance

Insurance | Bank Tech | Payments | Securities

Relevant Recent Transaction / Partnership (2/2)

Date	Company	Partner / Acquirer / Investor	Type	Transaction Details
04/25/2018	CLARK	PORTAGE ventures; WHITE STAR CAPITAL	Equity Investment	Clark Germany GmbH is Germany's leading insurance robo-advisor. The company received $29 million in Series B funding co-led by new investors Portag3 Ventures and White Star Capital. The company will use the funds to make its digital insurance management the standard in Europe and to invest in its marketing and technology team in Frankfurt and Berlin.
04/18/2018	The Standard	PLUG AND PLAY	Partnership	Standard Insurance Company (The Standard), a leading provider of financial products and services, has entered into a strategic partnership with Plug and Play, one of the world's leading startup accelerators and open innovation platforms. The partnership will help The Standard improve its operations for better engagement with customers, producers, and employees.
04/16/2018	konsileo	COMMITTED CAPITAL	Equity Investment	London-based commercial insurance broker Konsileo received $3 million in Series A funding from Committed Capital. The company intends to use the money to scale up its operations – including hiring commercial lines brokers and teams that will work virtually in targeted hubs across the UK.

Sources: Capital IQ; Pitchbook; Press Releases

Transaction and Partnership Themes – Bank Tech

Insurance | **Bank Tech** | Payments | Securities

- The Bank Tech space continued witnessing strong M&A and financing deal volumes in Q2:18. Private equity, venture capitalists and investment banks like Goldman Sachs closed financing deals at strong valuations in this space. Legacy players and large firms actively acquired and invested in young tech startups, primarily to improve processes and the customer experience.
- Digitization of traditionally paper-based trade processes and reduction in costs owing to synergies were the motivating forces behind partnerships.

Relevant Recent Transaction / Partnership (1/2)

Date	Company	Partner / Acquirer / Investor	Type	Transaction Details
05/09/2018	Trussle	Goldman Sachs; propel Venture Partners	Equity Investment	Trussle Lab, a UK-based online mortgage broker, received $18 million in series B funding, co-led by Goldman Sachs, and Propel Venture Partners. The company issued equity in the transaction and will use the proceeds to accelerate growth and incorporate further automation into its product.
05/06/2018	credit karma	SpyCloud	Partnership	Credit Karma, a personal finance company, partnered with Spy Cloud, a security firm, to increase the number of data breaches it is able to review. The company intends to boost the total number of data breaches searched from 4.5 billion to 13 billion.
05/03/2018	Standard Bank	RISKIQ	Partnership	Standard Bank selected RiskIQ as its digital threat management partner, using both RiskIQ Digital Footprint and RiskIQ External Threat solutions. The partnership will enable Standard Bank to automate the discovery and threat analysis of brand infringement, cybercrime, and web-based attacks against its digital presence.
05/03/2018	neon	propel Venture Partners; QUONA Capital; monashees+	Equity Investment	Banco Neon, the first fully-digital Brazilian bank, raised $22 million in a Series A round of funding led by new investor Propel Venture Partners, Monashees Gestão de Investimentos, and Quona Capital Management. The company intends to use the funds for product expansion, and investment in technology and innovation for Neon's leading customer experience.
04/26/2018	Revolut	DST; Index Ventures; Ribbit Capital	Equity Investment	Revolut is a London-based fintech that offers a digital bank account and other financial services. Revolut raised $250 million in its Series C round of funding led by new investor DST Global. The company intends to use the proceeds to expand its operations in the US, Canada, Singapore, Hong Kong, and Australia by the end of 2018.

Sources: Capital IQ; Pitchbook; Press Releases

Transaction and Partnership Themes – Bank Tech

Insurance | **Bank Tech** | Payments | Securities

Relevant Recent Transaction / Partnership (2/2)

Date	Company	Partner / Acquirer / Investor	Type	Transaction Details
04/26/2018	Citizens Bank	Finastra; Infosys	Partnership	Citizens Bank partnered with Finastra and Infosys to power the trade finance solution it offers to corporate clients. This new capability will enable Citizens' corporate clients to digitize traditionally paper-based trade processes, leading to increased efficiencies and reduced costs.
04/24/2018	Saxo Bank	Microsoft	Partnership	Saxo Bank Group is a leading fintech specialist focused on multi-asset trading and investment and delivering 'Banking-as-a-Service' to wholesale clients. Saxo Bank partnered with Microsoft to provide an agile and highly secure environment for the bank to accelerate its digital journey and democratize financial services.
04/20/2018	Callcredit	TransUnion	Acquisition	Callcredit is the second largest consumer credit bureau in the UK. TransUnion acquired Callcredit from GTCR and others for $1.3 billion. TransUnion aims to grow its international presence with the help of this acquisition and deliver more value to shareholders, customers, and consumers across the markets they serve.
04/18/2018	OCBC Bank	Google	Partnership	OCBC Bank is the first in Singapore to launch artificial intelligence (AI) powered voice banking in collaboration with Google. The Google Assistant will provide consumers with a self-service digital channel to interact with OCBC Bank that is convenient. Consumers can pose general banking questions to the Google Assistant at any time of the day and get instant responses.
04/15/2018	claritymoney	Goldman Sachs	Acquisition	Goldman Sachs acquired Clarity Money, a personal finance startup. Goldman Sachs aims to expand its Marcus online lending business. Clarity Money will be merged with Marcus over time.
04/12/2018	Lender Price	Regions	Equity Investment	Regions Financial Corporation invested an undisclosed amount in the mortgage tech company, Lender Price and also entered into a partnership. Lender Price intends to provide additional technology and resources for Regions to deploy in its efforts to enhance Regions' digital lending.

Sources: Capital IQ; Pitchbook; Press Releases

Transaction and Partnership Themes – Payments

Insurance | Bank Tech | **Payments |** Securities

Deal activity was high in Q2:2018. There were several big-ticket deals and deals with strong valuation multiples. Square acquiring Weebly is an example. The partnerships this quarter were driven by the need to enhance the customer experience by adding value to existing solutions.

Relevant Recent Transaction / Partnership (1/2)

Date	Company	Partner / Acquirer / Investor	Type	Transaction Details
05/07/2018	fiserv.	rippleshot	Partnership	Fiserv partnered with Rippleshot, a fraud analytics firm. The partnership will enable Fiserv to offer a fraud detection solution that would help financial institutions in identifying potential fraud events 30-60 days prior to network alerts.
05/01/2018	cleo.	Taavet Hinrikus	Equity Investment	London-based Messenger money bot, Cleo AI Ltd received an undisclosed amount from Taavet Hinrikus, founder of TransferWise. As part of the transaction, Taavet Hinrikus has joined the company's board of directors.
04/26/2018	weebly	Square	Acquisition	Square, Inc, a provider of payment and point-of-sale solutions in the US, acquired Weebly, a provider of online website creation services, for $370 million. The acquisition will help Square create a cohesive solution for entrepreneurs looking to build an online and offline business.
04/26/2018	Klarna.	Magento	Partnership	Klarna, a leading global payments provider, partnered with Magento Commerce, a leading platform for open commerce innovation. The integration will allow merchants to activate Klarna's Pay Now, Pay Later and Slice It, which will provide customers with flexibility in payments and an overall smoother shopping experience.

Sources: Capital IQ; Pitchbook; Press Releases

Transaction and Partnership Themes – Payments

Insurance | Bank Tech | **Payments** | Securities

Relevant Recent Transaction / Partnership (2/2)

Date	Company	Partner / Acquirer / Investor	Type	Transaction Details
04/25/2018	taxfree Innova taxfree	Euronet Worldwide	Acquisition	Euronet Worldwide, a leading global electronic payments provider, acquired Innova Taxfree Group, a Spain-based company specializing in VAT refunds for the international traveler, for an undisclosed amount. The acquisition will strengthen and complement Euronet's Merchant Acquiring offering.
04/18/2018	Elevate	mastercard	Partnership	Elevate, a leading tech-enabled provider of innovative and responsible online credit solutions for non-prime consumers, has partnered with Mastercard to develop a first-of-its-kind credit card product that will feature an on/off functionality, credit score monitoring and full-service mobile app along with custom purchase and fraud alerts.
04/13/2018	iPayment	Paysafe:	Acquisition	US-based Paysafe, a leading global payments provider, acquired iPayment Holdings, a provider of processing solutions for SMEs, as it seeks expansion in North America. The acquisition forms part of Paysafe's investment strategy to expand its presence in North America in response to significant growth opportunities, particularly in the fast-growing SMB sector.
04/13/2018	sage	stripe	Partnership	Sage, the market leader in cloud business management solutions partnered with Stripe, a provider of digital invoicing services. This partnership will help Sage offer invoicing solutions in addition to its payment services. Digital invoicing services powered by Stripe allow invoices to be sent electronically, which the customer can view on any device (hosted in Sage Business Cloud) and pay from anywhere, anytime.

Sources: Capital IQ; Pitchbook; Press Releases

Transaction and Partnership Themes – Securities

Insurance | Bank Tech | Payments | **Securities**

The Securities sector witnessed a rise in the number of partnerships in Q2:2018. Digitizing manual workflows, expanding marketing, and automating capabilities has been driving collaborations between the tech players. Big investment managers like BlackRock and CVC Capital Partners are partnering with fintechs to improve their customer engagement processes.

Relevant Recent Transaction / Partnership

Date	Company	Partner / Acquirer / Investor	Type	Transaction Details
05/09/2018	BlackRock	acorns Invest the Change	Partnership	BlackRock partnered with Acorns, a leading micro investing app in the U.S. he rationale behind the transaction is the shared commitment of the two firms to use technology to help more people improve the way they engage with, save, and ultimately invest their money.
05/09/2018	ThinkCoin	0CHAIN	Partnership	ThinkCoin, the native token of blockchain-based trading exchange TradeConnect, partnered with California-based 0Chain to support high-frequency trading. 0chain will help TradeConnect scale up its platform's capabilities using 0chain's decentralized cloud solutions.
05/02/2018	OANDA	CVC Capital Partners	Acquisition	OANDA is a global online retail trading platform, currency data, and analytics company. CVC Capital Partners, through its wholly-owned subsidiary Asia Fund IV, acquired all of the outstanding equity of OANDA. CVC Capital intends to focus on its organic and inorganic growth throw this transaction.
04/23/2018	tradefred Your trusted trading partner	leverate	Partnership	TradeFred, an FX and contracts-for-difference (CFD) trading company partnered with brokerage technology provider Leverate. This collaboration will help TradeFred expand its marketing and automation capabilities.
04/12/2018	agreement EXPRESS	FrontierCapital	Equity Investment	Account onboarding specialist Agreement Express received funding from Frontier Capital, LLC. Agreement Express intends to use the proceeds to accelerate growth through expansion of sales and marketing operations, further technology innovation, and expand its talent base.

Sources: Capital IQ; Pitchbook; Press Releases

Public Comparables

Evolve
Capital Partners

Public Trading Comparables

Insurance | Bank Tech | Securities

(All figures in US Dollars. Figures in millions, except per share data, as of July 23, 2018)

Insurance Brokers

COMPANY INFORMATION	Market Data				LTM Operating Performance					Valuation Multiples					
										EV / Revenue			EV / EBITDA		
	Stock Price	% of 52-Wk High	Equity Value	Enterprise Value	LTM Revenue	Revenue Growth	EBITDA Growth	Gross Margin	EBITDA Margin	LTM	FY2017	FY2018	LTM	FY2017	FY2018
Marsh & McLennan Companies, Inc.	$87.53	99.6%	$44,411	$49,651	$14,521	6.2%	7.6%	44.2%	24.1%	3.4x	3.3x	3.1x	14.2x	13.8x	12.7x
Willis Towers Watson Public Limited Compa	$160.47	97.3%	$21,156	$24,952	$8,089	4.3%	14.0%	39.8%	18.4%	3.1x	2.9x	2.8x	16.7x	11.7x	11.0x
Arthur J. Gallagher & Co.	$70.77	97.3%	$12,899	$15,545	$6,287	10.2%	7.8%	28.8%	15.6%	2.5x	2.3x	2.2x	15.8x	14.0x	12.4x
Brown & Brown, Inc.	$29.61	99.4%	$8,180	$8,572	$1,913	5.4%	0.8%	46.7%	31.4%	4.5x	4.4x	4.2x	14.3x	13.9x	13.0x
Crawford & Company	$8.46	68.2%	$466	$680	$1,112	(0.3%)	(0.3%)	29.0%	9.5%	0.6x	0.6x	0.6x	6.4x	5.6x	5.1x
Majesco	$7.22	96.2%	$264	$269	$123	1.0%	(45.5%)	45.4%	2.0%	2.2x	NA	NA	NM	NA	NA
MEAN		93.0%	$14,563	$16,612	$5,341	4.5%	(2.6%)	39.0%	16.8%	2.7x	2.7x	2.6x	13.5x	11.8x	10.8x
MEDIAN		97.3%	$10,539	$12,058	$4,100	4.9%	4.2%	42.0%	17.0%	2.8x	2.9x	2.8x	14.3x	13.8x	12.4x

LTM = Latest Twelve Months

Enterprise Value = (Market Capitalization) + (Debt + Preferred Stock + Minority Interest) - (Cash & Equivalents)

EBITDA = Earnings Before Interest, Taxes, Depreciation and Amortization

Sources: Capital IQ

Public Trading Comparables

Insurance | Bank Tech | Securities

(All figures in US Dollars. Figures in millions, except per share data, as of July 23, 2018)

Bank Tech

COMPANY INFORMATION	Market Data				LTM Operating Performance					Valuation Multiples					
										EV / Revenue			EV / EBITDA		
	Stock Price	% of 52-Wk High	Equity Value	Enterprise Value	LTM Revenue	Revenue Growth	EBITDA Growth	Gross Margin	EBITDA Margin	LTM	FY2017	FY2018	LTM	FY2017	FY2018
PayPal Holdings, Inc.	$89.13	99.9%	$105,832	$96,321	$13,804	20.8%	15.5%	46.4%	19.2%	6.8x	6.1x	5.3x	35.7x	23.3x	19.6x
Fidelity National Information Services, Inc.	$109.35	100.0%	$36,196	$44,663	$9,041	(1.3%)	10.4%	32.5%	28.2%	4.9x	5.2x	5.0x	17.5x	14.1x	13.3x
Fiserv, Inc.	$77.27	99.3%	$31,637	$35,859	$5,742	3.5%	4.6%	47.2%	31.8%	6.3x	6.1x	5.9x	19.6x	16.5x	15.8x
SS&C Technologies Holdings, Inc.	$55.68	99.7%	$13,257	$15,169	$1,690	13.1%	22.3%	46.8%	37.2%	9.0x	4.5x	3.6x	24.1x	14.2x	10.9x
Jack Henry & Associates, Inc.	$136.74	99.7%	$10,569	$10,617	$1,503	5.6%	7.1%	43.2%	31.3%	7.0x	6.9x	6.5x	22.4x	19.9x	19.0x
Q2 Holdings, Inc.	$62.98	99.1%	$2,674	$2,555	$204	29.1%	NM	49.2%	-6.4%	12.5x	10.7x	8.7x	NM	NM	NM
	MEAN	**99.6%**	**$33,361**	**$34,197**	**$5,331**	**11.8%**	**12.0%**	**44.2%**	**23.5%**	**7.7x**	**6.6x**	**5.8x**	**23.9x**	**17.6x**	**15.7x**
	MEDIAN	**99.7%**	**$22,447**	**$25,514**	**$3,716**	**9.4%**	**10.4%**	**46.6%**	**29.8%**	**6.9x**	**6.1x**	**5.6x**	**22.4x**	**16.5x**	**15.8x**

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EBITDA = Earnings Before Interest, Taxes, Depreciation and Amortization

Sources: Capital IQ

Public Trading Comparables

Insurance | Bank Tech | Securities

(All figures in US Dollars. Figures in millions, except per share data, as of July 23, 2018)

Exchanges

COMPANY INFORMATION	Market Data				LTM Operating Performance					Valuation Multiples					
										EV / Revenue			EV / EBITDA		
	Stock Price	% of 52-Wk High	Equity Value	Enterprise Value	LTM Revenue	Revenue Growth	EBITDA Growth	Gross Margin	EBITDA Margin	LTM	FY2017	FY2018	LTM	FY2017	FY2018
CME Group Inc.	$169.23	97.1%	$57,625	$58,983	$3,824	1.4%	5.2%	100.0%	69.3%	15.4x	14.1x	13.2x	21.1x	20.0x	19.0x
Intercontinental Exchange, Inc.	$76.55	99.5%	$44,340	$50,737	$4,688	2.9%	24.6%	100.0%	61.9%	10.7x	10.2x	9.7x	17.1x	15.9x	14.8x
Hong Kong Exchanges and Clearing Limite	$29.82	76.5%	$37,083	$3,649	$1,807	18.2%	11.6%	96.4%	70.9%	2.0x	1.8x	1.6x	2.9x	2.4x	2.0x
Deutsche Börse Aktiengesellschaft	$135.69	95.7%	$25,295	$8,700	$3,333	3.2%	3.8%	92.4%	49.1%	3.0x	3.0x	2.8x	5.3x	5.1x	4.6x
London Stock Exchange Group plc	$59.45	98.2%	$20,630	$22,152	$2,642	18.0%	NM	89.0%	42.0%	8.6x	7.9x	7.3x	20.8x	15.2x	13.6x
Nasdaq, Inc.	$95.40	99.2%	$15,929	$19,572	$4,147	7.0%	7.4%	60.6%	31.4%	4.7x	7.7x	7.5x	14.8x	14.7x	13.8x
Cboe Global Markets, Inc.	$104.20	75.2%	$11,721	$12,714	$2,651	217.0%	18.6%	42.7%	29.1%	4.8x	11.0x	10.7x	16.5x	16.1x	15.5x
ASX Limited	$48.21	98.3%	$9,330	$8,249	$756	2.6%	3.3%	97.1%	77.3%	11.6x	13.6x	12.9x	15.0x	17.8x	16.9x
Singapore Exchange Limited	$5.48	88.0%	$5,890	$5,279	$641	(2.1%)	0.7%	79.3%	53.4%	8.6x	8.5x	8.1x	16.1x	14.6x	13.7x
TMX Group Limited	$65.74	98.0%	$3,660	$4,509	$619	0.3%	21.8%	94.0%	60.7%	7.5x	7.3x	7.0x	12.2x	13.0x	12.3x
	MEAN	**92.6%**	**$23,150**	**$19,454**	**$2,511**	**26.8%**	**10.8%**	**85.1%**	**54.5%**	**7.7x**	**8.5x**	**8.1x**	**14.2x**	**13.5x**	**12.6x**
	MEDIAN	**97.5%**	**$18,279**	**$10,707**	**$2,647**	**3.1%**	**7.4%**	**93.2%**	**57.1%**	**8.0x**	**8.2x**	**7.8x**	**15.6x**	**15.0x**	**13.7x**

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Public Trading Comparables

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Investment Banks

COMPANY INFORMATION	Market Data				LTM Operating Performance					Valuation Multiples					
	Stock Price	% of 52-Wk High	Equity Value	Total Assets	LTM Revenue	Revenue Growth	Total Assets Growth	Gross Margin	Return on Equity	P/ Book Value LTM	P/ Book Value FY2018	P/ Book Value FY2019	Mkt. Cap / Total Revenue LTM	Mkt. Cap / Total Revenue FY2018	Mkt. Cap / Total Revenue FY2019
JPMorgan Chase & Co.	$104.20	87.3%	$354,729	$2,533,600	$96,807	3.7%	1.7%	NM	9.6%	NA	1.5x	1.4x	4.0x	3.5x	3.3x
The Goldman Sachs Group, Inc.	$220.57	80.1%	$83,311	$916,776	$34,083	4.8%	6.6%	89.3%	5.0%	NA	1.1x	1.1x	3.0x	2.9x	2.8x
Morgan Stanley	$47.40	79.8%	$83,910	$815,733	$39,277	9.6%	4.5%	89.8%	8.0%	NA	1.2x	1.1x	2.5x	2.4x	2.3x
UBS Group AG	$15.42	77.5%	$58,020	$939,544	$30,655	2.6%	(2.1%)	NM	2.1%	NA	1.1x	1.0x	2.2x	2.1x	2.0x
Deutsche Bank Aktiengesellschaft	$10.69	53.6%	$22,075	$1,770,812	$31,592	(9.7%)	(7.3%)	NM	(1.1%)	NA	0.3x	0.3x	0.9x	0.8x	0.8x
Credit Suisse Group AG	$15.05	79.5%	$38,214	$817,075	$21,811	3.1%	(2.9%)	NM	(2.2%)	NA	0.9x	0.8x	2.0x	1.8x	1.7x
Macquarie Group Limited	$91.46	97.4%	$29,508	$148,866	$8,294	8.6%	4.6%	NM	13.6%	NA	NA	2.4x	3.2x	3.1x	3.0x
Stifel Financial Corp.	$52.25	76.0%	$3,739	$21,384	$3,001	13.9%	11.8%	93.9%	6.5%	NA	NA	NA	1.5x	1.4x	1.3x
Piper Jaffray Companies	$76.85	77.0%	$1,022	$2,025	$843	17.1%	(4.7%)	91.3%	(7.6%)	NA	NA	NA	1.4x	1.4x	1.3x
Cowen Inc.	$13.85	75.9%	$409	$3,296	$710	42.8%	63.3%	71.2%	(3.2%)	NA	0.5x	0.5x	0.7x	0.5x	0.5x
	MEAN	**78.4%**	**$67,494**	**$796,911**	**$26,707**	**9.7%**	**7.6%**	**87.1%**	**3.1%**	**NA**	**1.0x**	**1.1x**	**2.1x**	**2.0x**	**1.9x**
	MEDIAN	**78.5%**	**$33,861**	**$816,404**	**$26,233**	**6.7%**	**3.1%**	**89.8%**	**3.6%**	**NA**	**1.1x**	**1.0x**	**2.1x**	**2.0x**	**1.9x**

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Investment Management

COMPANY INFORMATION	Market Data				LTM Operating Performance					Valuation Multiples					
										EV / Revenue			EV / EBITDA		
	Stock Price	% of 52-Wk High	Equity Value	Enterprise Value	LTM Revenue	Revenue Growth	EBITDA Growth	Gross Margin	EBITDA Margin	LTM	FY2018	FY2019	LTM	FY2018	FY2019
BlackRock, Inc.	$499.04	83.9%	$80,414	$79,033	$12,982	12.0%	7.7%	55.3%	44.3%	6.1x	5.3x	4.9x	13.8x	13.2x	11.9x
Franklin Resources, Inc.	$32.05	67.3%	$17,314	$8,681	$6,464	(3.4%)	(2.2%)	46.0%	35.6%	1.3x	1.4x	1.4x	3.6x	3.6x	3.6x
Northern Trust Corporation*	$102.89	92.9%	$23,149	$22,479	$5,616	8.7%	NM	NM	NM	4.3x	4.1x	3.7x	NM	NM	NM
Ameriprise Financial, Inc.	$139.88	76.1%	$20,228	$22,976	$12,323	2.9%	4.6%	51.9%	28.9%	1.9x	1.8x	1.7x	6.5x	6.1x	6.0x
T. Rowe Price Group, Inc.	$116.09	91.1%	$28,110	$26,975	$4,988	13.5%	8.8%	62.5%	46.4%	5.4x	5.0x	4.7x	11.6x	10.7x	10.2x
Invesco Ltd.	$26.56	69.1%	$10,910	$15,914	$5,324	9.0%	9.3%	36.6%	28.8%	3.0x	4.0x	3.8x	10.1x	10.2x	9.5x
Hargreaves Lansdown plc*	$26.01	94.1%	$12,325	$11,947	$563	18.1%	11.8%	81.2%	67.6%	NM	NM	NM	NM	NM	NM
Investec plc*	$7.10	82.8%	$6,728	$2,496	$3,118	3.7%	NM	NM	NM	2.5x	1.9x	2.0x	NM	NM	NM
Artisan Partners Asset Management Inc.	$30.15	72.7%	$1,626	$1,667	$824	10.4%	42.6%	50.4%	38.1%	2.0x	2.0x	1.9x	5.3x	5.2x	5.0x
WisdomTree Investments, Inc.	$9.08	67.7%	$1,374	$1,267	$235	4.7%	27.9%	44.6%	22.7%	5.4x	4.3x	3.8x	23.8x	13.9x	10.7x
MEAN		**79.8%**	**$20,218**	**$19,344**	**$5,244**	**7.9%**	**13.8%**	**53.6%**	**39.0%**	**3.5x**	**3.3x**	**3.1x**	**10.7x**	**9.0x**	**8.1x**
MEDIAN		**79.5%**	**$14,819**	**$13,931**	**$5,156**	**8.9%**	**9.1%**	**51.1%**	**36.9%**	**3.0x**	**4.0x**	**3.7x**	**10.1x**	**10.2x**	**9.5x**

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*Applied Market Value to Revenue as a proxy of Enterprise Value by Revenue
Sources: Capital IQ

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