

# Spanish Fintech Ecosystem

September 2021



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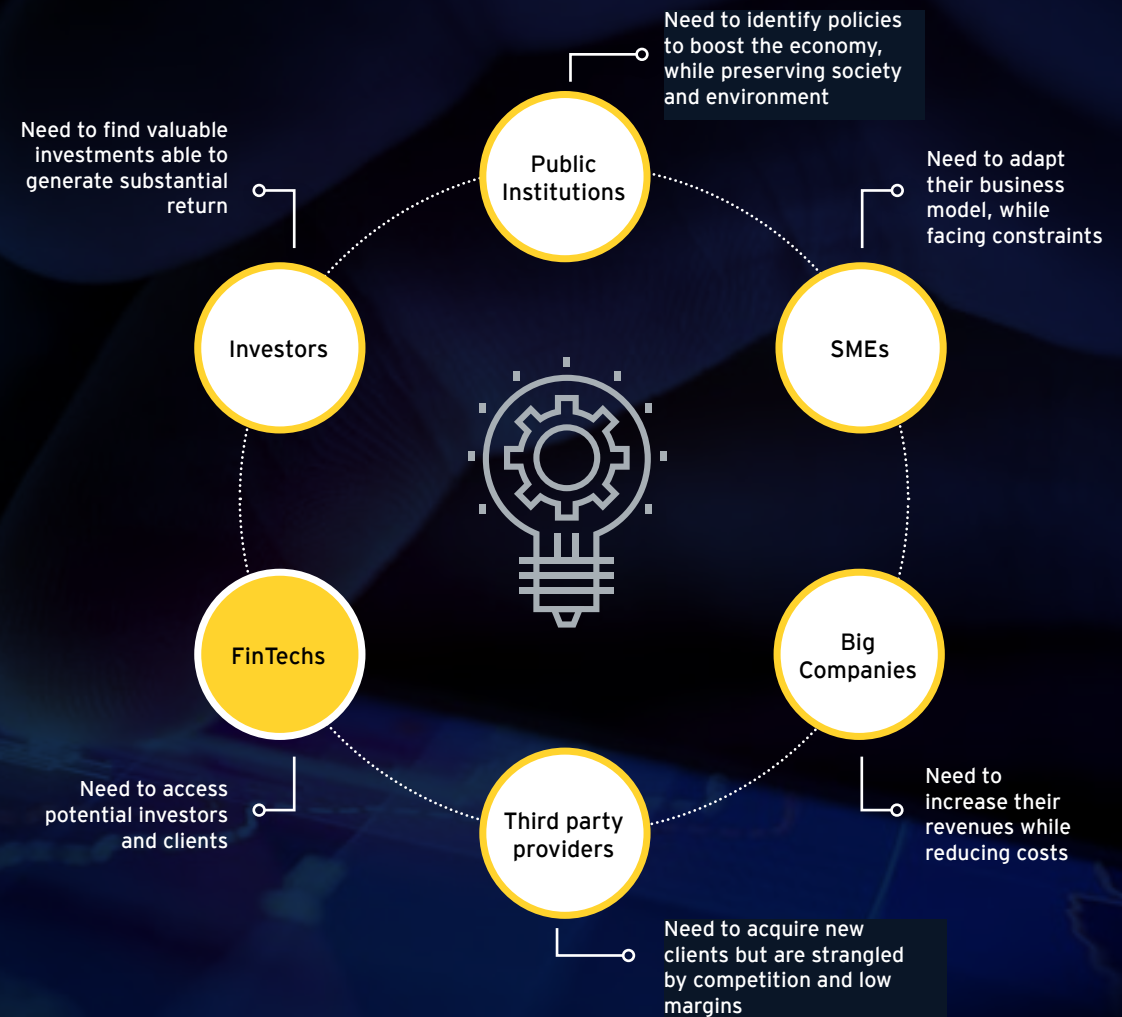
# Preface

The definition of FinTech has evolved over time. While the term is often associated with start-ups, its coverage is broader, encompassing more established financial services institutions. Today, FinTechs seek to use technology as a means to enable, enhance or disrupt financial services across key areas such as banking, payments, lending and investing.

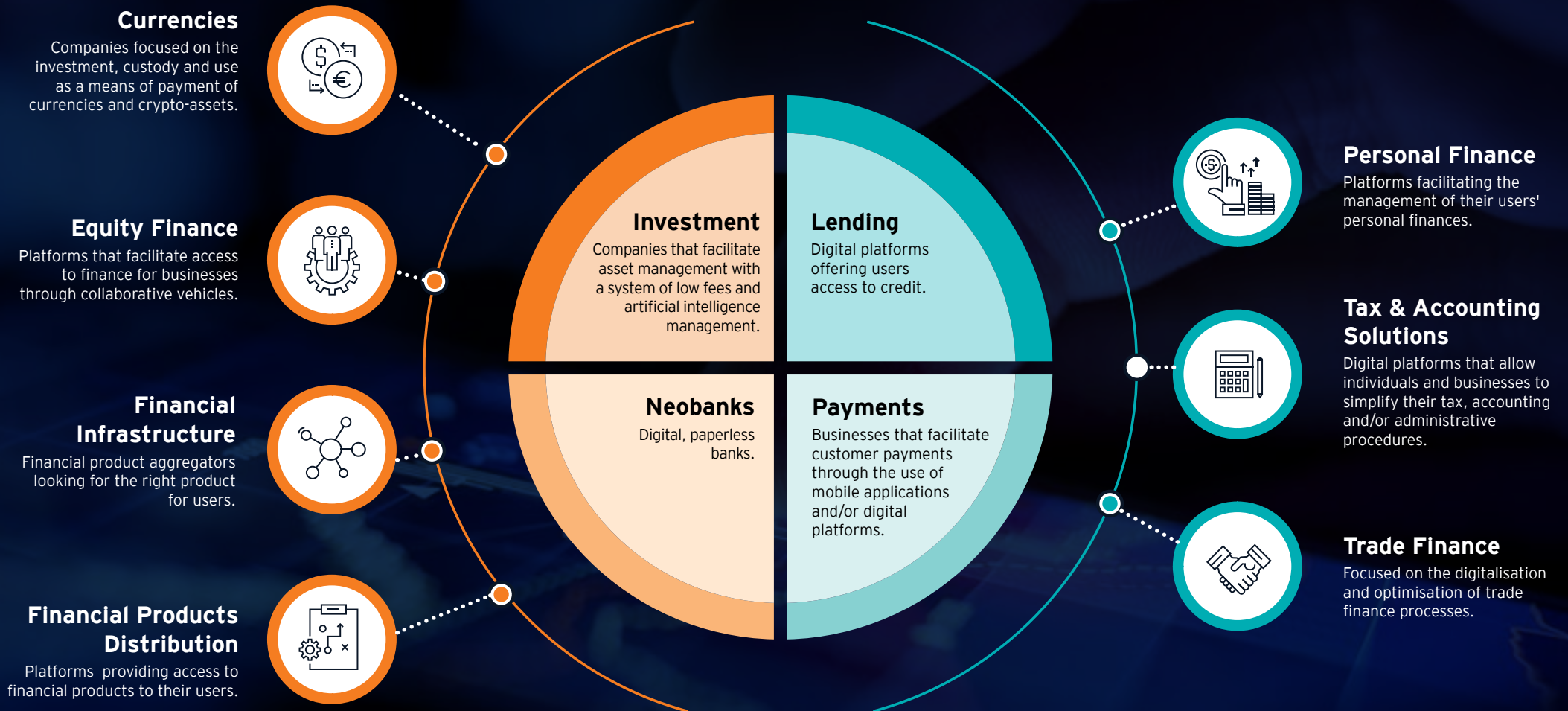
The Spanish FinTech sector has developed into approximately 376 FinTech companies in 2021. In addition to startups, a growing number of FinTech companies have transcended the level of "disruptor" and developed to mature competitors or suppliers of existing financial institutions.

EY conducted this research in the first half of 2021. The following questions have been investigated:

1. How does Spain perform in the FinTech area compared to other countries?
2. What is the size and nature of the FinTech sector in the Spain?
3. What are the main players in the Spanish Fintech environment?



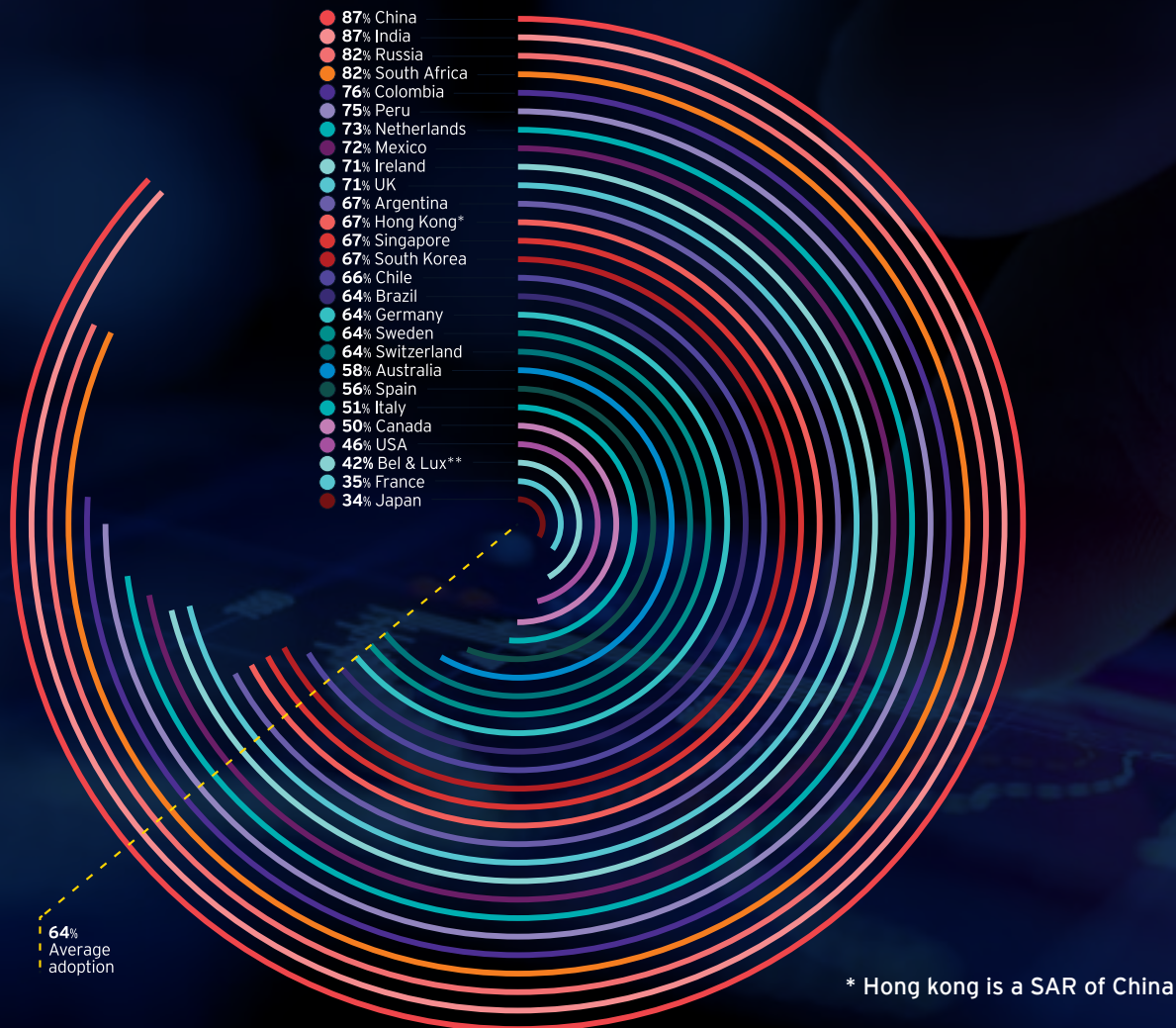
# Main Fintech categories





# Fintech Adoption Index in Spain

## Consumer Fintech adoption across 27 markets



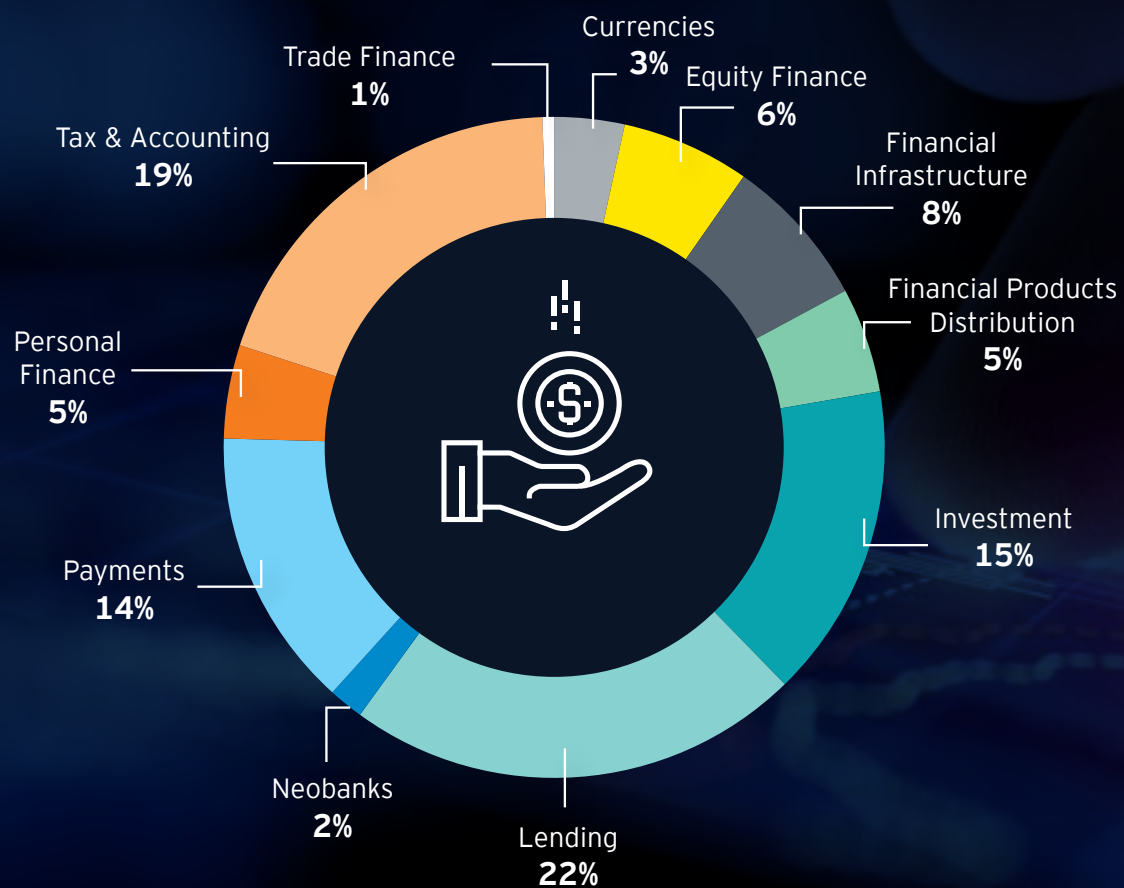
Source: EY Fintech Adoption index

Spain **ranks 21<sup>st</sup>** globally in terms of adoption index and the **7<sup>th</sup>** at the European level.

- ▶ One of the reasons for the proliferation of fintechs in Spain is due to the **increased participation of the Spanish banking sector in fintechs**, both in the form of capital and by developing incubation/acceleration programs, with new collaborative relationships or competition.
- ▶ These collaborations are due to the **agility** of Fintechs to adopt new technologies and test new business models, their **proximity** to today's and tomorrow's customers, plus their **flexibility** and **efficiency**.
- ▶ Spanish fintechs, compared to traditional banking, are **not generic solutions**; they can focus solely and exclusively on solving a **specific problem** for their users. This allows them to understand users' needs very well and **offer exactly what they demand**.
- ▶ Spain has a **long way** to go in this economic area, as it needs an **increase in fiscal support for investors** and entrepreneurs, as well as an **injection of entrepreneurial culture**.

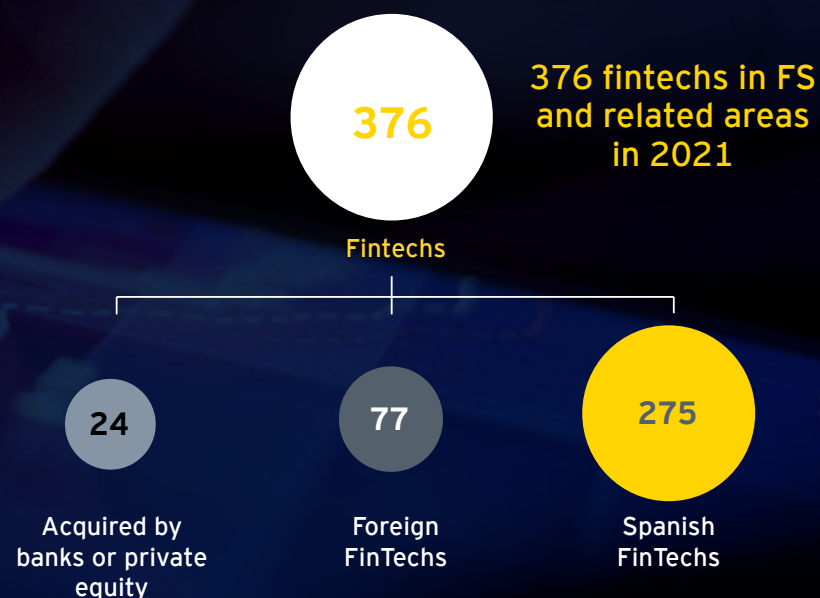
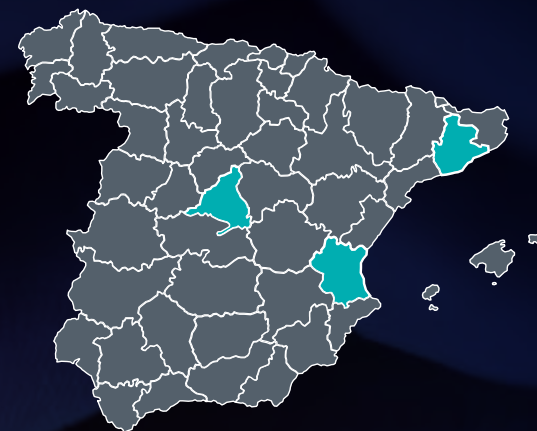
# Spanish Fintech market Overview

The Spanish Fintech sector is growing every year and is increasingly supported by investors.



## 80%

of Spanish Fintech companies are concentrated in Barcelona, Madrid and Valencia



# Spanish Fintech market Overview

Spain FinTech market space witnessed ~\$1bn of investments over the past 3 years, primarily driven by early stage funding

- ▶ The Spanish FinTech space witnessed 340 deals amounting to \$949m worth of capital inflow
- ▶ Total of \$719m has been invested in the FinTech space through fundings
- ▶ The average funding amount is \$5.1m<sup>1</sup>
- ▶ Domestic PE/VC investors were most active in terms of investments followed by investors from other European countries and North America

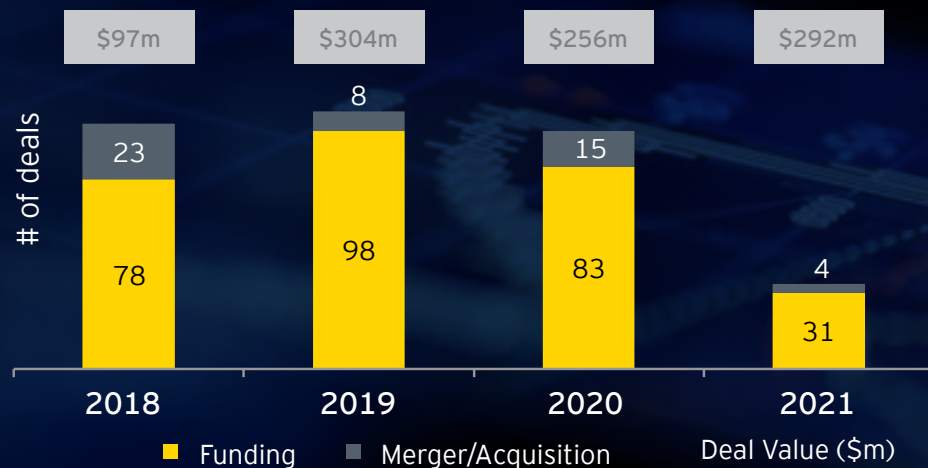
## Spain FinTech Deal Activity: Jan'18 - May'21

**340**  
Total Deals

**\$949m**  
Total Capital Invested

**\$201m**  
Largest Deal<sup>2</sup>

**\$345m**  
Invested through early stage funding



### Most Active Investors<sup>3</sup>

- ▶ K Fund
- ▶ Seaya Ventures
- ▶ Inveready
- ▶ Mouro Capital

### Top FinTech Targets<sup>3</sup>

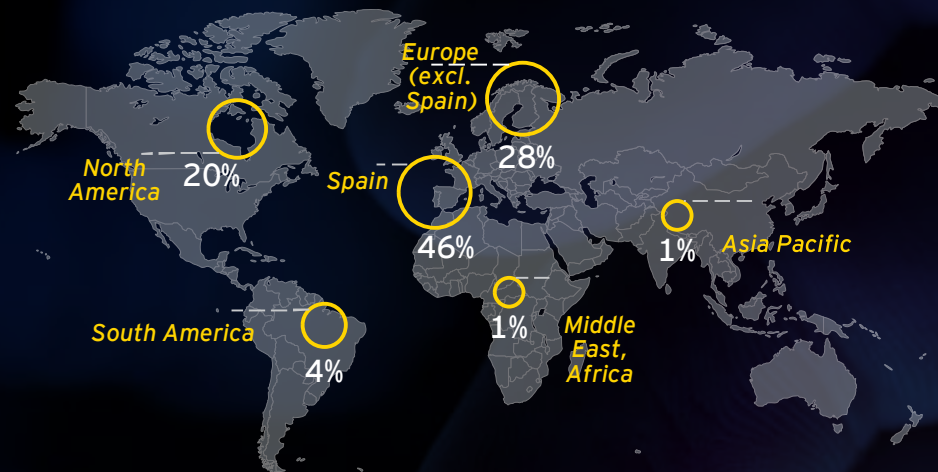
- ▶ Polaroo
- ▶ bnxt
- ▶ Coinscrap
- ▶ Finboot tech

**Note:** Based on disclosed information for the period Jan'18 - May'21; <sup>1</sup> The average funding size is calculated on the basis of disclosed values only; <sup>2</sup> Largest deal was Openbank's \$201m funding received by Banco Santander; <sup>3</sup> Based on the number of investments made/received ;



# Spanish Fintech market Overview

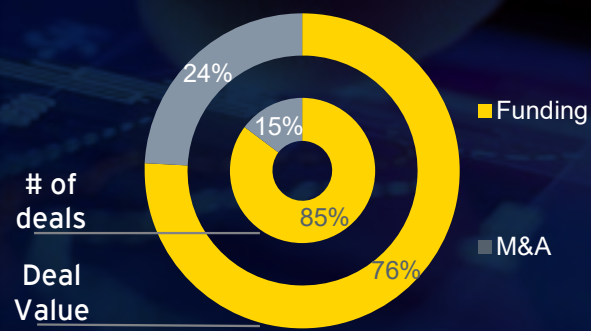
○ Percentage of Investors



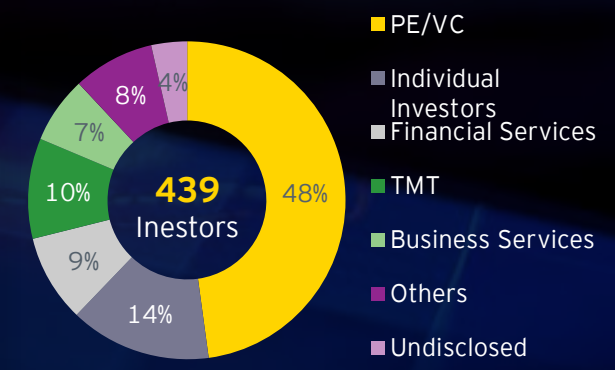
By Investor Type<sup>4</sup>



By Investment Type



By Investor Sectors<sup>4</sup>



Note: 4 based on unique investors



# Break-down of Spanish FinTechs by classification



- ▶ For this analysis 175 fintechs have been considered, all of them located in Spain, not acquired by a large company, bank or private equity.
- ▶ In 2020, the **financial regulatory sandbox** was launched, and began to set the course for Fintech in Spain.
- ▶ The big challenges for the fintech ecosystem in Spain are **adapting to changing regulation** and **accessing the funding necessary for startups to develop**.
- ▶ The most important categories - in terms of number of companies - in the Fintech sector in Spain are **Lending, Tax & Accounting Solutions and Payments**.
- ▶ On the other hand, the categories with the lowest number of companies are **Trade Finance and Neobanks**.
- ▶ The number of companies and the investment dedicated to them is **increasing** every year, demonstrating a growing trend.

# Regulation in Spain

## PSD2



PSD2 is a new European directive for payments from consumers and businesses. This law is effective from January 2018 onwards and ensures that new parties can gain access to transaction data (Account Information Service Provider) and that they can make payments for customers (Payment Initiation Service Provider). These services are only allowed if the company has a license and if the consumer has given explicit consent to access the transaction data. The first PSD2 licenses in the Spain were issued in 2019. This law allows innovations such as combining transaction data of multiple accounts, or providing insight to customers into their transactions.

## AML



Anti-money Laundering (AML) AML, including Know-Your-Customer (KYC), is regulation that financial institutions must comply with to prevent money laundering. The foundation is the law on the prevention of money laundering and financing of terrorism. Financial institutions must, among other things, deal effectively and efficiently with the onboarding and screening of new customers to comply. As a result, new opportunities are spotted in the market. FinTech companies focus specifically on identity services and Regtech, allowing effective checks of new customers. Examples are digital onboarding with passport scans or scanning for suspicious transactions using Artificial Intelligence.

## Sandbox



The Sandbox is an initiative within the framework of the Digital Transformation Law for the Financial Sector, which is a controlled and unregulated testing area that will identify projects that improve the provision of financial services, with very specific supervision protocols dictated by the public bodies involved: the Treasury, the Bank of Spain, the Directorate General of Insurance and Pension Funds and the National Securities Market Commission.

## GDPR



GDPR has been in force since May 2018, resulting in the same privacy protection throughout Europe. GDPR is primarily intended for the protection of personal data and privacy of consumers. Therefore, the impact for FinTech companies is large and it is key for them to handle financial data structured and with care. This, however, also leads to new opportunities for innovation. It has contributed to the quality of utilizing customer data and trust in handling financial data by FinTech companies with innovative services.

# Contact us

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For further information, please contact the FinTech team



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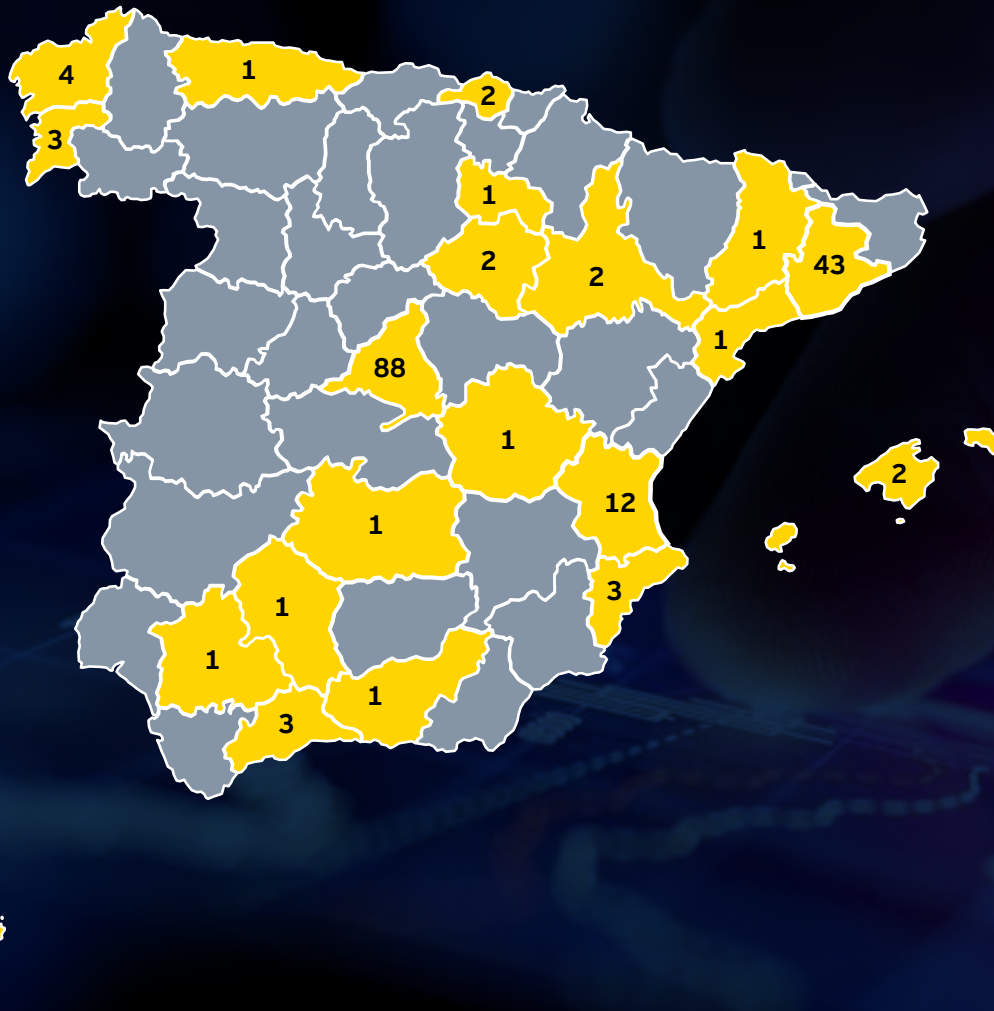
# A

Annexes









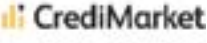
# Geographical distribution of Fintech companies in Spain



- ▶ As can be seen in the map, most of the Spanish fintechs are located in Madrid, Barcelona and Valencia.
  - ▶ **50%** are located in Madrid
  - ▶ **25%** are located in Barcelona
  - ▶ **7%** are located in Valencia
- ▶ The main category in Madrid is **Lending** with **21%** of the fintech companies in the Spanish capital.
- ▶ The main category in Barcelona is **Lending** with **30%** of the fintech companies.
- ▶ The most important categories - in terms of number of companies - in the Fintech sector in Spain are **Lending, Tax & Accounting Solutions and Payments**
- ▶ The main category in Valencia is **Investment** with **25%** of the fintech companies.
- ▶ In reference to the rest of the Spanish provinces, the following categories stand out:
  - ▶ **Tax & Accounting Solutions 26%**
  - ▶ **Payments 17%**
  - ▶ **Lending 17%**






# Key Transactions (1/2)

Snapshot of key transactions by value in the last 3 years

Date	Transaction type	Target	Deal Size \$m	Buyer / Investor (HQ)	Deal Description
Apr 2021	Equity Funding	 <i>Openbank SA</i>	201	Banco Santander SA (Spain)	<ul style="list-style-type: none"> <li>Openbank is a 100% digital bank that offers banking services including saving deposits, investments, and other services through an online portal</li> <li>Aims to shore up new growth paths, including accelerating its plans to enter new international markets, such as Argentina in the short term and later in the United States</li> </ul>
Mar 2019	Series B	 <i>Pagantis</i>	75	Prime Ventures (Netherlands); Credit Suisse Group AG (Switzerland); Rinkelberg Capital (UK)	<ul style="list-style-type: none"> <li>Pagantis focuses on providing automated, friction-free consumer finance for e-commerce transactions in Europe               <ul style="list-style-type: none"> <li>Originated over \$600m in online consumer loans on its proprietary platform</li> </ul> </li> <li>The funding amount to be used to develop the e-commerce consumer credit service in Italy, France and Portugal</li> </ul>
Aug 2020	M&A	 <i>Pagantis</i>	59	Afterpay Pty Ltd (Australia)	<ul style="list-style-type: none"> <li>Pagantis focuses on providing automated, friction-free consumer finance for e-commerce transactions including buy now, pay later and traditional credit services across Spain, France and Italy</li> <li>The acquisition is part of Afterpay's expansion into Southern Europe and to capitalize on a market primed for 'buy now, pay later' (BNPL) services</li> </ul>
Jan 2018	M&A	 <i>iSalud Health Services SL</i>	37	CNP Assurances SA (France)	<ul style="list-style-type: none"> <li>iSalud Health Services is an insurance technology company that serves as a comparator and health insurance intermediary</li> <li>The acquisition of 60% stake enabled to accelerate the development of acquirer in the Spanish market and facilitated the exit of Invready and Mediaset from the shareholding</li> </ul>
Feb 2019	M&A	 <i>Clabere Negocios SL</i>	34	Bauer Media Group (Germany); Heinrich Bauer Verlag KG (Germany); Bauer Group (Germany)	<ul style="list-style-type: none"> <li>Clabere Negocios operating as CreditMarket, is a Spanish player for online comparison of financial products</li> <li>The acquisition provided Bauer a gateway into the Spanish online comparison platform market and complements its existing operations in Finland, Norway, Sweden, Czech Republic, Slovakia and Poland</li> </ul>

# Key Transactions (2/2)

Snapshot of key transactions by value in the last 3 years

Date	Transaction type	Target	Deal Size \$m	Buyer / Investor (HQ)	Deal Description
Mar 2020	M&A		33	Banco Santander SA (Spain)	<ul style="list-style-type: none"> <li>Mercury TFS specialises in trade finance digitalisation software that automates the end-to-end management of trade finance transactions for corporate customers</li> <li>The acquisition of 50.1% stake is a part of Santander's digital strategy to further grow and accelerate its plans to build a service platform for SMEs and international companies</li> </ul>
Oct 2019 <sup>1</sup>	Series A		25	Kaya VC (Czech Republic); GED Iberian Private Equity SA SGEIC (Spain); Enern (Czech Republic); USM Capital Group Inc. (US); Redalpine (Switzerland)	<ul style="list-style-type: none"> <li>Bnext is a mobile-first neo-bank in Spain that offers customers access to various financial and insurance products from selected partners</li> <li>Has grown its userbase to more than 300k active users since the launch in 2018</li> <li>Bnext aims to strengthen its leadership in Spain and launch its services in Latin America, primarily in Mexico</li> </ul>
Feb 2021	Series B		24	BlackRock Inc. (US)	<ul style="list-style-type: none"> <li>Clarity AI is a sustainability analytics and data science platform that provides software solutions to investors</li> <li>The investment aims to integrate Clarity AI's capabilities and comprehensive ESG with Aladdin, BlackRock's end-to-end investment management and operations platform for investment professionals</li> </ul>
Dec 2019 <sup>2</sup>	Growth Equity		22	AXA SA (France); Andbank Group (Andorra); Informatica El Corte Ingles (Spain); Andbank Espana (Spain); El Corte Ingles (Spain)	<ul style="list-style-type: none"> <li>MyInvestor is a neo-bank that offers mortgages, saving accounts, top investment funds, cards and other banking products in Spain</li> <li>Aims to boost the growth of MyInvestor over the coming few years</li> <li>Andbank Espana would hold 75% of MyInvestor's capital, while other investors would control the remaining 25%</li> </ul>
Apr 2019	Series C		21	Blackbox (US); Atresmedia (Spain); ING (Netherlands); Prevision Sanitaria Nacional, (Spain)	<ul style="list-style-type: none"> <li>Fintonic is a finance application that allows users to manage their personal finances</li> <li>Present in Chile and has recently started operations in Mexico</li> <li>The investment round was led by ING Ventures, owner of 22% of the share capital, and supported by other shareholders including PSN Group</li> </ul>

<sup>1</sup> Investors also include Founders Future (France); DN Capital (UK) LLP (UK); Speedinvest GmbH (Austria); University System of Maryland Foundation (US); Rancilio Cube Srl (Italy)

<sup>2</sup> Investors also include Andorra Banc Agricol Reig SA (Andorra); Centro de Seguros y Servicios, Correduria de Seguros SA, Grupo de Seguros El Corte Ingles (Spain); AXA Seguros Generales SA de Seguros y Reaseguros (Spain)

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