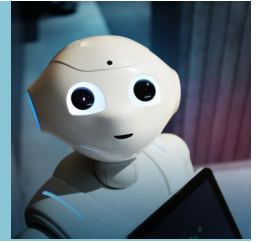




future tech

Next Digital Fintech



Financial services is the fourth largest sector of the global economy according to MSCI rankings, with a market capitalization of nearly \$9 trillion*. This sector might have seemed impervious to disruption: protected (and constrained) by regulation, and dominated by banks that benefited from seemingly rigid customer relationships. **The reality is that large banks worldwide have understood the evolution of the sector, have been joining the transformation and have been incorporating Fintech into their product portfolio.**

Financial technology (FinTech) refers to companies that offer digital services for advice and wealth management, personal finance, alternative financing methods or new electronic payment methods, among many others.

Smartphones have played an important role in the proliferation of financial technology, as they have drastically changed the way users interact with technology. Instead of needing a desktop computer, consumers are now permanently online. This expanded the possibilities for integrating financial services, and new technologies were (and continue to be) introduced. In that sense, **Covid-19 has been an accelerator of FinTech adoption rates** by making online transaction virtually indispensable, and desirable, in the vast majority of daily transactions.

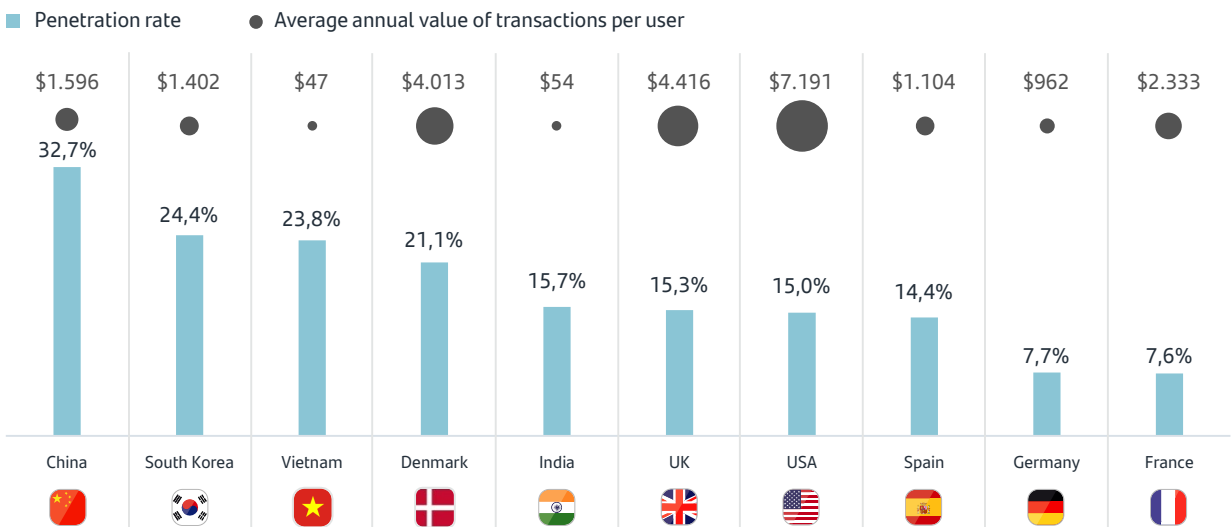
Fintech is not only limited to payment platforms. They comprise a multitude of financial products and services that make up a value chain in itself, focused on individual customers, and on the management and automation of processes in companies, in different geographies and markets. **Fintech companies rely heavily on constant technological developments, which are what, in the end, will improve the customer experience, and what will truly make the difference.** For the customer, prominent examples include *robo advisors*, "hyper-personalization" from leveraging big data or the tokenization of real assets through blockchain solutions. For companies, a Fintech can become an integral financial provider for their business.

EY's latest Global FinTech Adoption Index, a survey of 27,000 digitally active consumers in 27 markets, showed that **Asia maintains global leadership in FinTech adoption.** Adoption of FinTech tools across the region has skyrocketed among consumers and small businesses, especially in China, India and financial centers. Unhindered by legacy technology and aided by their integration into China's powerful and ubiquitous e-commerce and social media platforms, such as Alibaba and WeChat, **FinTech services are now fully integrated into the life of the Chinese consumer.**

Asia leads in adoption of mobile payments and FinTech services

Expected user penetration rates and transaction values in the mobile point-of-sale segment in 2020.

Source: Statista Digital Market Outlook



Source: As of June 30, 2021. Assumes a global listed market capitalization of \$64 trillion (MSCI World index), of which 14,2% is attributable to the financial sector.



Main innovations driving Fintech growth

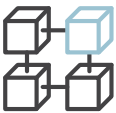


Electronic payments

Innovation in electronic payments has multiple proposals that not only benefit consumers but also businesses by allowing them greater versatility and control of their processes. These include **multichannel payments, mobile payments, contactless payments, mobile wallets, intelligent voice systems, one-click purchases, link payments and identity verification technologies.**

Juniper Research, a consulting firm specializing in *Fintech*, estimates that the **global value of contactless transactions conducted through payment cards, mobile and wearables, reached \$1.3 trillion in 2019**, more than doubling from the \$590 billion estimated in 2017. Digital wallets are significantly reducing the cost of transactions.

Today, 80% of global commerce still takes place in physical stores, according to Visa. Every transaction that moves to e-commerce is paid for digitally. **Wellington Asset Management forecasts that e-commerce will grow by 15-20% per annum over the next few years**, which is a strong tailwind for companies in the digital payments sub-sector.



Blockchain

Blockchain technology is a form of technology that ensures very high security and functionality. A blockchain is a distributed, immutable ledger for transferring ownership, recording transactions, tracking assets and ensuring transparency, security, trust and value exchanges in various types of **transactions with digital assets without the need for a central server or database.** This technology is being tested and deployed in a wide range of applications, industries and use cases. Examples, in addition to the Internet of Things and financial services (banking, insurance and reinsurance, capital markets) include Industry 4.0, fraud management, digital identities, information management and many more areas and industries where it fits in a context of transactions, payments, contracts (smart contracts), testing, trust, etc.

Hundreds of blockchains have been built. **Bitcoin was the first such blockchain, and Ethereum is the most widely used for decentralized applications.** However, the technology is evolving rapidly. There are now faster platforms such as Algorand and Solana, as well as layer 2 support networks that process smaller transactions at higher speed.



Robo-advisors

Robo-advisors are digital platforms that provide financial advisory and/or management services on an automated basis. The first platform, **Betterment**, was introduced to general investors in 2010. Initially designed as an investment platform only, it has evolved into a financial hub and offers other types of products to its clients.

Robo-advisors create portfolios for clients according to their needs using algorithms based on risk optimization. In addition, they automatically rebalance portfolios to maintain expected asset allocations and offer tax-efficient solutions through tax base management. **Robo-Advisors offer financial advice and agile communication on returns and fees, allowing all investors, regardless of the size of their wealth, to access services usually reserved for high net worth clients.** New technologies such as the cloud, artificial intelligence and machine learning are enabling firms to leverage this data to improve their decision making.



Innovators in Fintech

Getnet

A Pagonix COMPANY

Getnet is an **integrated digital payments platform for merchants and consumers** designed in Brazil and owned by Grupo Santander.

It offers payment possibilities through physical and e-Commerce channels, **operates in 29 countries around the world, in multiple currencies, and integrates various payment methods**, for example, one-click, through a link, recurring payments, always under strict security criteria and authentication processes. It allows designing the checkout interface according to the customer's needs.

It also has **reporting capabilities, transaction reconciliation and delivers the money to the client's account up to five times a day**. Additionally, it has the option of integration with external e-Commerce platforms.

intuit

Intuit develops and markets business and financial **management software solutions** for SMEs, financial institutions, consumers and accounting professionals.

The Small Business and Self-Employed segment offers online financial and business management services and **QuickBooks** desktop software, payroll solutions, payment processing solutions and small business financing. The Consumer segment includes do-it-yourself and **TurboTax-assisted tax return** preparation products and services.

The company was founded by Scott D. Cook and Thomas A. Proulx in March 1983 and is headquartered in Mountain View, California.

adyen

wherever people pay

Adyen is a Dutch payments company that **enables businesses to accept e-commerce, mobile and point-of-sale payments**. It has a wide range of wholesale customers and is listed on Euronext.

It began by offering **gateway and payment processing services to merchants**, and soon expanded into merchant acquiring services. Recently, it obtained a **banking license** to improve merchant account settlement. This **online payment platform connects with payment methods from around the world** such as credit cards, local cash-based methods such as **Boleto** in Brazil, Internet banking methods such as **iDEAL** in the Netherlands and mobile payment methods such as **Blik** in Poland.

lendingtree

LendingTree (formerly Tree.com) originates, processes, approves and funds mortgages, home equity loans and lines of credit, personal loans, business loans and auto loans.

It allows consumers to **explore options for financing, education, insurance, home services and more**. Its flagship mortgage arm connects homebuyers with lenders. **Its lending network includes more than 350 banks and other lenders**. Other subsidiaries help consumers choose among colleges and home service providers. It also markets auto loans and credit cards. Services are free to consumers, as **the company charges fees to the companies to which it refers customers**.

PayPal

PayPal operates a **worldwide online payment system** that enables online money transfers and serves as an electronic alternative to traditional paper-based methods such as checks.

Founded in 1998 as Confinity, **PayPal went public through an initial public offering in 2002**. That same year it became a wholly owned subsidiary of eBay, valued at \$1.5 billion. **In 2015, eBay spun off PayPal to eBay shareholders** and PayPal became an independent company again. The company ranked 204th on the 2019 Fortune 500 list of the largest U.S. companies by revenue. On May 17, 2018, PayPal agreed to purchase Swedish payment processor **iZettle** for \$2.2 billion.

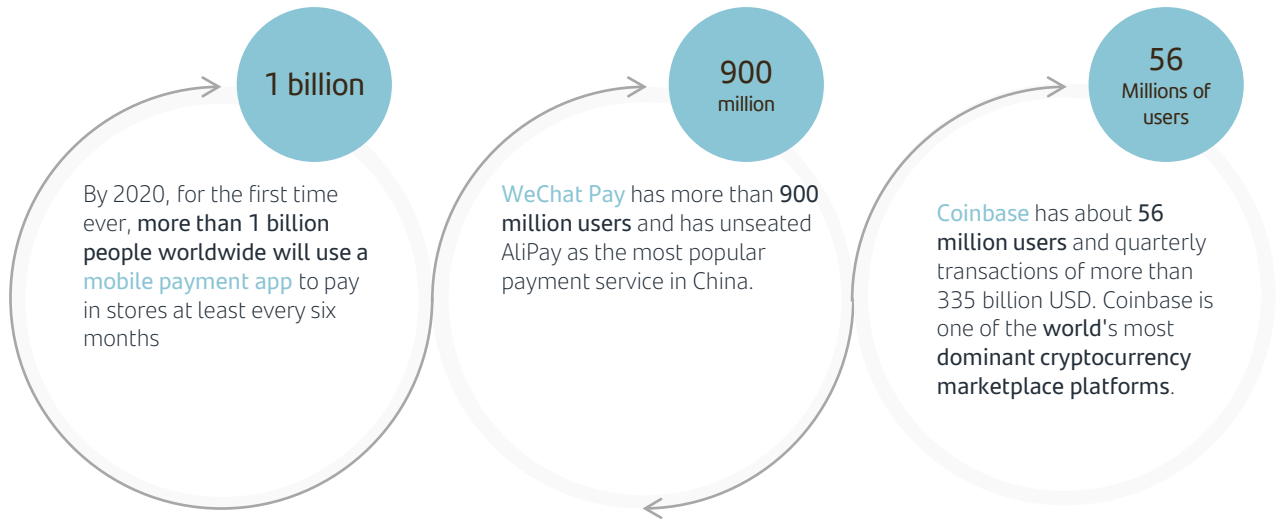


Square

Square offers **mobile payment solutions**. The company develops point-of-sale software that helps with digital receipts, inventory and sales reporting, as well as providing analytics and feedback. It is an **integrated commerce ecosystem** that helps sellers start, run and grow their businesses. Businesses download the *Square Point of Sale* mobile app, and can make their first payment quickly and easily. With its system, sellers have access to features such as next-day settlements, digital receipts, payment dispute management, data security and payment card industry compliance. **The company was founded by Cameron Walters, Tristan O'Tierney, Randy Reddig, Jack Dorsey and Jim McKelvey in February 2009**. It is headquartered in San Francisco, California.



Did you know?



(1) Source: eMarketer

(2) Source: Tencent, TechCrunch

(3) Source: Coinbase



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