The Fintech Landscape and Supporting Ecosystem in Finland (Summary)

Helsinki Fintech Guide Launch
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01 Introduction
Online Survey Background

Objective: Insights concerning growth ambitions and the Fintech ecosystem

Designed and conducted in April-June 2019

Responses from 56 different Fintech companies

White Paper on Finnish Fintech to be published Q3/2019

Digital banking: 18
RegTech: 6
Blockchain & cryptocurrency: 5
Personal finance & wealth mgmt: 17
InsurTech: 7
Payments & money transfer: 24
Capital markets: 12
Alternative finance: 14
Other: 26
Analytical Framework

The Finnish Fintech Landscape – Key Facts and Figures

<table>
<thead>
<tr>
<th>Number of companies and key characteristics</th>
<th>Key financial and other performance indicators</th>
<th>Growth ambition and key strategic choices</th>
<th>Position amongst Global Fintech hubs</th>
</tr>
</thead>
</table>

Access to Risk Capital

**Examples**
- Private equity
- Bank loans
- Public loans & grants
- EU e.g. guarantees
- Crowd financing

**Key questions**
- Targeted financing
- Current instruments
- Key challenges

Access to Talent

**Examples**
- Technology
- Sales and marketing
- Support functions
- Seniority
- Domestic / International

**Key questions**
- Talent requirements
- Talent attraction
- Key challenges

Collaboration

**Examples**
- Customers
- Community collaboration
- Corporate venturing
- Incubators/accelerators
- Commercial partners

**Key questions**
- Collaboration mechanisms
- Objectives and outcomes
- Key challenges

Regulatory Environment

**Examples**
- PSD2
- GDPR
- MiFID II
- PRIIPs
- AML

**Key questions**
- Understanding/familiarity
- Business impact
- Current readiness

The Supporting Ecosystem – Current State and Key Improvement Areas

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The Fintech Landscape – Definitions and Sectors

**Fintech Definitions**

**Broad**
Any digital financial service, regardless of whether the provider is an established financial institution or a seed funded start-up.

**Narrow**
Recently founded start-up companies entering the financial market, seeking growth rather than profitability, and building their business on technology innovation.

**Common**
Technology and/or business model innovation that may be launched by established companies (FSI and other industries) as well as start-ups.

**Fintech Sectors**

Source: Business Insider Intelligence, company websites
Fintech Financing Globally

**Global**

![Chart showing fintech financing globally from 2013 to 2018 (to Q3)].

- **Volume**
  - 2013: 3.9
  - 2014: 8.2
  - 2015: 16.0
  - 2016: 19.0
  - 2017: 17.9
  - 2018 (to Q3): 32.6

- **Funding**
  - 2013: 608
  - 2014: 838
  - 2015: 1,071
  - 2016: 1,159
  - 2017: 1,350
  - 2018 (to Q3): 1,164

**Europe**

![Chart showing fintech financing in Europe from 2013 to 2018 (to Q3)].

- **Volume**
  - 2013: 89
  - 2014: 131
  - 2015: 185
  - 2016: 199
  - 2017: 2.7
  - 2018 (to Q3): 2.7

- **Funding**
  - 2013: 0.8
  - 2014: 1.3
  - 2015: 1.8
  - 2016: 1.2
  - 2017: 2.7
  - 2018 (to Q3): 2.7

**USA**

![Chart showing fintech financing in the USA from 2013 to 2018 (to Q3)].

- **Volume**
  - 2013: 380
  - 2014: 446
  - 2015: 483
  - 2016: 485
  - 2017: 489
  - 2018 (to Q3): 462

- **Funding**
  - 2013: 2.6
  - 2014: 5.6
  - 2015: 8.2
  - 2016: 5.9
  - 2017: 7.8
  - 2018 (to Q3): 9.3

**Asia**

![Chart showing fintech financing in Asia from 2013 to 2018 (to Q3)].

- **Volume**
  - 2013: 74
  - 2014: 132
  - 2015: 190
  - 2016: 213
  - 2017: 301
  - 2018 (to Q3): 364

- **Funding**
  - 2013: 0.4
  - 2014: 1.1
  - 2015: 4.1
  - 2016: 6.4
  - 2017: 5.8
  - 2018 (to Q3): 20.1

Sources: Business Insider Intelligence, CB Insights
Global Fintech Hubs – The Future of Fintech is Emerging: New Hubs, New Landscapes
02 Select Insights
The Big Picture – Key Business Challenges

- Access to capital: 48% (Very low/Low), 32% (Intermediate), 19% (High/Very high)

- Collaborating with stakeholders: 45% (Very low/Low), 31% (Intermediate), 24% (High/Very high)

- Human resources management: 24% (Very low/Low), 29% (Intermediate), 47% (High/Very high)

- Regulation: 39% (Very low/Low), 21% (Intermediate), 40% (High/Very high)

- Growth management: 19% (Very low/Low), 40% (Intermediate), 40% (High/Very high)

Weighted average:
- Access to capital: 2.5
- Collaborating with stakeholders: 2.8
- Human resources management: 3.3
- Regulation: 3.2
- Growth management: 3.2
The Big Picture – Priorities for Developing the Fintech Ecosystem

Promotion of community interests
- Very low/Low (1-2) 15%
- Intermediate (3) 23%
- High/Very high (4-5) 63%

Branding and marketing
- Very low/Low (1-2) 16%
- Intermediate (3) 21%
- High/Very high (4-5) 63%

Communication and information sharing
- Very low/Low (1-2) 10%
- Intermediate (3) 27%
- High/Very high (4-5) 63%

Public data collection and management
- Very low/Low (1-2) 19%
- Intermediate (3) 31%
- High/Very high (4-5) 50%

Training and capability development
- Very low/Low (1-2) 19%
- Intermediate (3) 23%
- High/Very high (4-5) 58%

Networking and collaboration
- Very low/Low (1-2) 3%
- Intermediate (3) 26%
- High/Very high (4-5) 71%

Investor relations
- Very low/Low (1-2) 23%
- Intermediate (3) 24%
- High/Very high (4-5) 53%

Technology standards and interfaces
- Very low/Low (1-2) 8%
- Intermediate (3) 26%
- High/Very high (4-5) 66%

Weighted average:
- Promotion of community interests: 3.7
- Branding and marketing: 3.6
- Communication and information sharing: 3.7
- Public data collection and management: 3.4
- Training and capability development: 3.6
- Networking and collaboration: 4.0
- Investor relations: 3.5
- Technology standards and interfaces: 3.8
Access to Financing – Obstacles to Acquiring Financing

- **Lack of instrument or application knowledge**: 82% Very low/Low (1-2), 8% Intermediate (3), 10% High/Very high (4-5)
- **Lack of personal contacts and relationships**: 60% Very low/Low (1-2), 27% Intermediate (3), 13% High/Very high (4-5)
- **Lack of resources and administrative burden**: 42% Very low/Low (1-2), 24% Intermediate (3), 34% High/Very high (4-5)
- **Lack of financial track record**: 42% Very low/Low (1-2), 15% Intermediate (3), 42% High/Very high (4-5)
- **Lack of collateral**: 54% Very low/Low (1-2), 24% Intermediate (3), 22% High/Very high (4-5)
- **Commercial terms**: 59% Very low/Low (1-2), 24% Intermediate (3), 16% High/Very high (4-5)
- **Investor’s focus or expertise on Fintechs**: 75% Very low/Low (1-2), 12% Intermediate (3), 14% High/Very high (4-5)
- **Other contract terms**: 74% Very low/Low (1-2), 13% Intermediate (3), 13% High/Very high (4-5)

**Weighted average**:
- Lack of instrument or application knowledge: 1.9
- Lack of personal contacts and relationships: 2.3
- Lack of resources and administrative burden: 2.8
- Lack of financial track record: 2.9
- Lack of collateral: 2.4
- Commercial terms: 2.4
- Investor’s focus or expertise on Fintechs: 2.0
- Other contract terms: 2.0
Access to Talent – Criticality and Difficulty of Attracting Different Types of Talent

- **Difficulty of talent attraction**
  - Very low
  - Low
  - Intermediate
  - High
  - Very high

- **Criticality of talent to business**
  - Very low
  - Low
  - Intermediate
  - High
  - Very high

- **Talent Types**: HR & admin., Legal, Data & tech management, Data & analytics, Strategy & finance, Marketing, Sales, Solution development, Back-end development, Front-end development, Solution development.
### Collaboration – Rationale and Collaboration Rate with Different Partners

<table>
<thead>
<tr>
<th>Key reason for collaboration</th>
<th>Collaboration partners</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Universities &amp; research institutions</td>
</tr>
<tr>
<td>Insight, strategy &amp; business planning</td>
<td>22.6%</td>
</tr>
<tr>
<td>Research &amp; development</td>
<td>40.3%</td>
</tr>
<tr>
<td>Commercialization &amp; business scaling</td>
<td>1.6%</td>
</tr>
<tr>
<td>Intellectual property right protection</td>
<td>0.0%</td>
</tr>
<tr>
<td>Learning &amp; capability development</td>
<td>35.5%</td>
</tr>
</tbody>
</table>

Fintechs with collaboration experience (%)

- 50%
- 76%
- 42%
- 74%
- 86%
- 39%

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## Collaboration – Key Hindrances to Collaboration with Different Partners

<table>
<thead>
<tr>
<th>Key hindrances to collaboration</th>
<th>Universities &amp; research institutions</th>
<th>Public sector organizations</th>
<th>Incubators &amp; accelerators</th>
<th>Commercial service providers</th>
<th>Business partners</th>
<th>Customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Access to decision-makers</td>
<td>8.1%</td>
<td>11.5%</td>
<td>13.0%</td>
<td><strong>10.8%</strong></td>
<td>7.9%</td>
<td><strong>20.3%</strong></td>
</tr>
<tr>
<td>Administrative burden</td>
<td><strong>19.4%</strong></td>
<td><strong>24.0%</strong></td>
<td><strong>19.6%</strong></td>
<td>6.8%</td>
<td>6.7%</td>
<td>10.1%</td>
</tr>
<tr>
<td>Shared objectives and scope</td>
<td>3.2%</td>
<td>7.3%</td>
<td><strong>15.2%</strong></td>
<td>9.5%</td>
<td>19.1%</td>
<td>12.7%</td>
</tr>
<tr>
<td>Commercial terms</td>
<td>0.0%</td>
<td>4.2%</td>
<td>10.9%</td>
<td><strong>28.4%</strong></td>
<td>19.1%</td>
<td>13.9%</td>
</tr>
<tr>
<td>Lack of resources and capabilities</td>
<td><strong>29.0%</strong></td>
<td><strong>17.7%</strong></td>
<td><strong>28.3%</strong></td>
<td>18.9%</td>
<td>16.9%</td>
<td>16.5%</td>
</tr>
<tr>
<td>Working styles, governance</td>
<td><strong>29.0%</strong></td>
<td><strong>20.8%</strong></td>
<td>4.3%</td>
<td>8.1%</td>
<td>11.2%</td>
<td><strong>13.9%</strong></td>
</tr>
<tr>
<td>Technology and information mgmt</td>
<td>6.5%</td>
<td>2.1%</td>
<td>4.3%</td>
<td>8.1%</td>
<td>6.7%</td>
<td>5.1%</td>
</tr>
<tr>
<td>Legal, contractual &amp; regulatory issues</td>
<td>4.8%</td>
<td>12.5%</td>
<td>4.3%</td>
<td>9.5%</td>
<td>12.4%</td>
<td>7.6%</td>
</tr>
</tbody>
</table>
## Regulatory Environment – Familiarity, Impact and Readiness

<table>
<thead>
<tr>
<th></th>
<th>PSD2</th>
<th>GDPR</th>
<th>MiFID II</th>
<th>PRIIPs</th>
<th>DAC 6</th>
<th>AML</th>
<th>AVCP</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>3.82</td>
<td>4.40</td>
<td>3.10</td>
<td>2.27</td>
<td>2.07</td>
<td>3.75</td>
<td>2.04</td>
</tr>
<tr>
<td>Business impact</td>
<td>3.71</td>
<td>4.13</td>
<td>3.03</td>
<td>2.15</td>
<td>2.22</td>
<td>3.68</td>
<td>1.90</td>
</tr>
<tr>
<td>Organizational readiness</td>
<td>3.67</td>
<td>4.35</td>
<td>2.92</td>
<td>2.31</td>
<td>2.21</td>
<td>3.79</td>
<td>1.89</td>
</tr>
</tbody>
</table>

1 = Very low  
2 = Low  
3 = Intermediate  
4 = High  
5 = Very high
Growth Management – Target Markets for the Next 12/36 Months

**Finland**
- Current operations: 97%
- 12 months: 84%
- 36 months: 81%

**Nordics (excl. Finland)**
- Current operations: 35%
- 12 months: 38%
- 36 months: 71%

**South America**
- Current operations: 2%
- 12 months: 10%
- 36 months: 2%

**Europe (excl. Nordics)**
- Current operations: 38%
- 12 months: 29%
- 36 months: 63%

**China**
- Current operations: 0%
- 12 months: 3%
- 36 months: 11%

**Africa**
- Current operations: 3%
- 12 months: 5%
- 36 months: 3%

**Asia (excl. China)**
- Current operations: 10%
- 12 months: 6%
- 36 months: 16%

**North America**
- Current operations: 6%
- 12 months: 13%
- 36 months: 24%

**Oceania**
- Current operations: 0%
- 12 months: 5%
- 36 months: 2%

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“Operations” include marketing, sales & customer service, R&D, service delivery, and corporate functions (e.g. finance, HR)
03  Working with Deloitte
Strategic Planning & Analysis

We help our clients craft pragmatic, fact-based and innovative strategies and implement them effectively to for superior shareholder returns.

• Corporate strategy
• Business strategy
• Functional/capability strategy e.g. digital
• Independent analyses and reviews
• Strategy analytics

Mergers & Acquisitions

We help our clients identify, capture and create value throughout the M&A life-cycle with tailored strategic analysis and proprietary insights.

• M&A Strategy
• Target identification and screening
• Commercial due diligence
• Information memorandums
• Value creation plans e.g. F100D

Value Creation

We help our clients identify and pragmatically capture high-impact value creation opportunities concerning growth, costs and cash flows.

• Disruptive (growth) strategy
• Business/operating model innovation
• Top-line growth
• Venturing, partnerships and ecosystems
• Turnaround and restructuring

Global Reach and Community
Collaborative Working Style
Driven by Data and Analytics
Pragmatic & Tailored Approach
Holistic Capabilities
Experienced Team
Proprietary Insights
Thank You!