

Fintech funding drops after peaking in 2021

Article

The news: Venture capital (VC) investing in fintechs **skyrocketed in 2021 to hit several new records**, per PitchBook's annual report, which covers global activity. But it cooled off during Q4 and so far this year, investors appear more selective about the sectors they're favoring.

The milestones, at a glance:

- The value of VC deals for fintechs **hit \$121.6 billion** for the year, **up about 153%** from \$48 billion in 2020, per the report. The 2021 value was also **greater than the past two years combined**.

- **VCs made 4,987 investments in 2021**, a year-over-year (YoY) increase of **around 54%** from 3,232.

Meanwhile, VCs' investing exits saw similar momentum.

- **The value of exits hit \$331.8 billion** in 2021, an **approximately 780% YoY jump** from \$37.7 billion. This amount, PitchBook noted, was buoyed by companies like **Robinhood, Coinbase, and Nubank** going public.
- The figure, PitchBook added, was **greater than the cumulative exit amount for the prior 10 years**, which is \$132.4 billion.
- Meanwhile, the number of exits jumped by **about 76% YoY**, from 217 to 383.

Funding falls by year-end: PitchBook pointed out that the VC investing boom cooled off late in Q4 2021:

- Deal value **fell by 11.3% quarter-over-quarter (QoQ)**.
- Deal quantity, meanwhile, **dropped by 9.1% QoQ**.

This softening has continued into Q1 2022

- A Crunchbase News [report](#) showed that funding for the two weeks ended March 7, 2022 dropped 63% from the prior two-week period.
- The activity in this period declined from 80 fintechs raising nearly \$3 billion to just 51 getting \$1.1 billion. The global data spanned seed to late-stage rounds.
- At last week's FinovateEurope 2022 conference, panelists [predicted](#) that 2021's momentum won't continue this year, **citing a public-markets drop as an indicator**. They [also](#) noted **interest-rate growth** as a hindrance.

The big takeaway: Fintech startups aren't yet facing an existential crisis, as the 2021 figures that Pitchbook shared were much higher than the past several years.

- A higher baseline from pre-2021 data would still represent good news over the longer term.

Certain types of fintechs will likely remain in favor despite the softening, per FinovateEurope 2022 panelists:

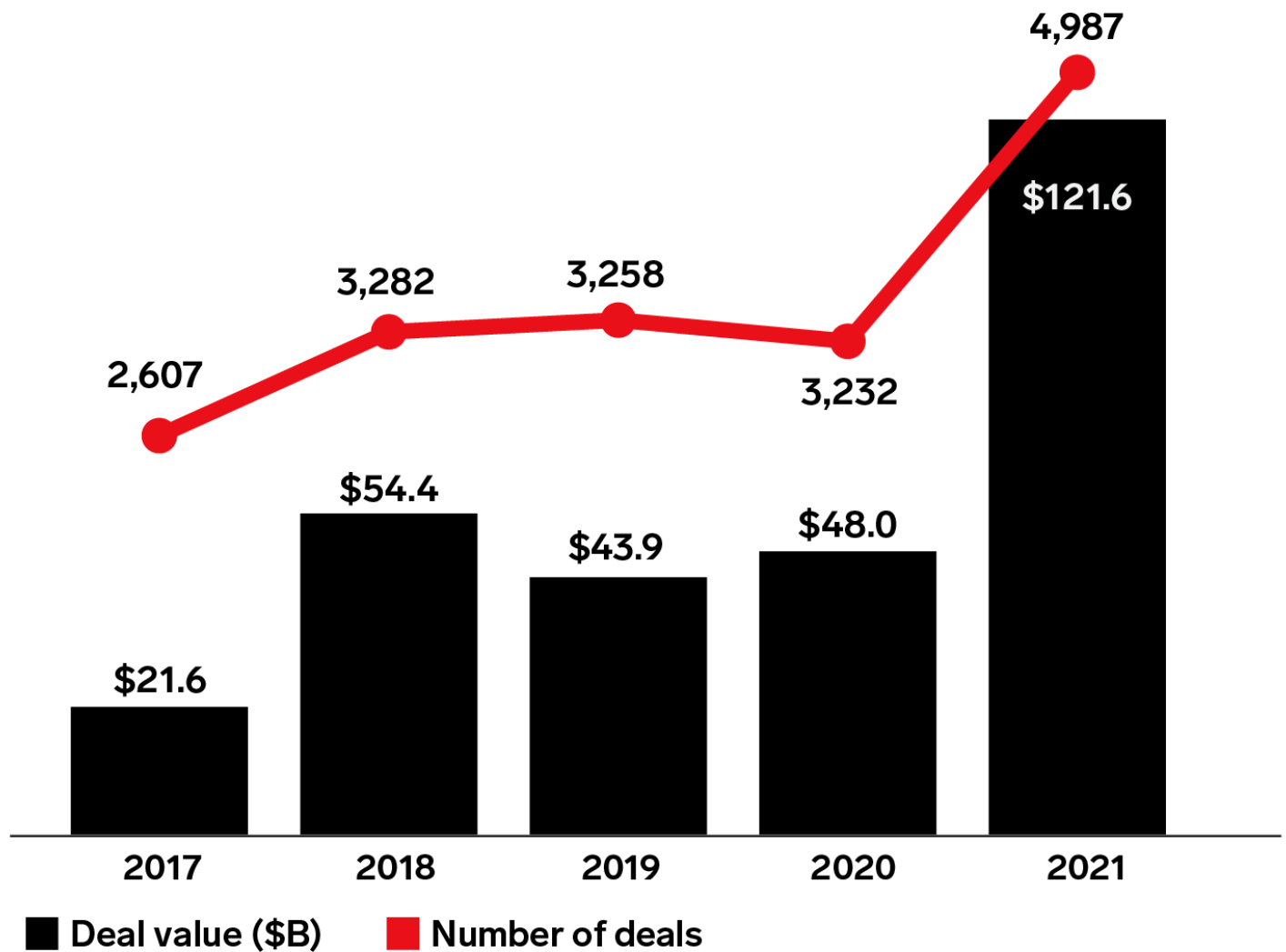
- **Startups that are capital-efficient** will draw VCs in the short term, at the expense of those with stronger long-term growth potential.
- **Insurtechs and wealthtechs should see a funding boost** over the coming years, said Aman Ghei, a partner at **Finch Capital**.
- **PropTech is an underfunded space**, said Luis Valdich, managing director for fintech investing at **Citi Ventures**.

Crypto-related fintechs are also relatively strongly positioned.

- Net inflows for digital-asset funds reached \$127 million for the week up to March 4, 2022, **per** CoinDesk, which reported that this figure represented a high over the past three months.
- **Bain Capital Ventures** **rolled out** a \$560 million crypto projects fund earlier this month.
- **FTX** **landed** \$400 million in a round last month, while **Fireblocks** **bagged** \$550 million in January 2022.

Annual Fintech Funding Worldwide, 2017-2021

billions and number of deals



Source: PitchBook "2021 Annual Fintech Report," March 24, 2022

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