

Later-stage funding rounds dominate maturing UK fintech sector

Article

The news: UK fintech funding is increasingly flowing from early-stage rounds to mature finechs at later rounds, according to research from **Clarus Investments**.

By the numbers: Clarus Investments tracked a sample of **more than 1,000 UK fintechs** since 2009—and the latest data shows the market is maturing in terms of funding.

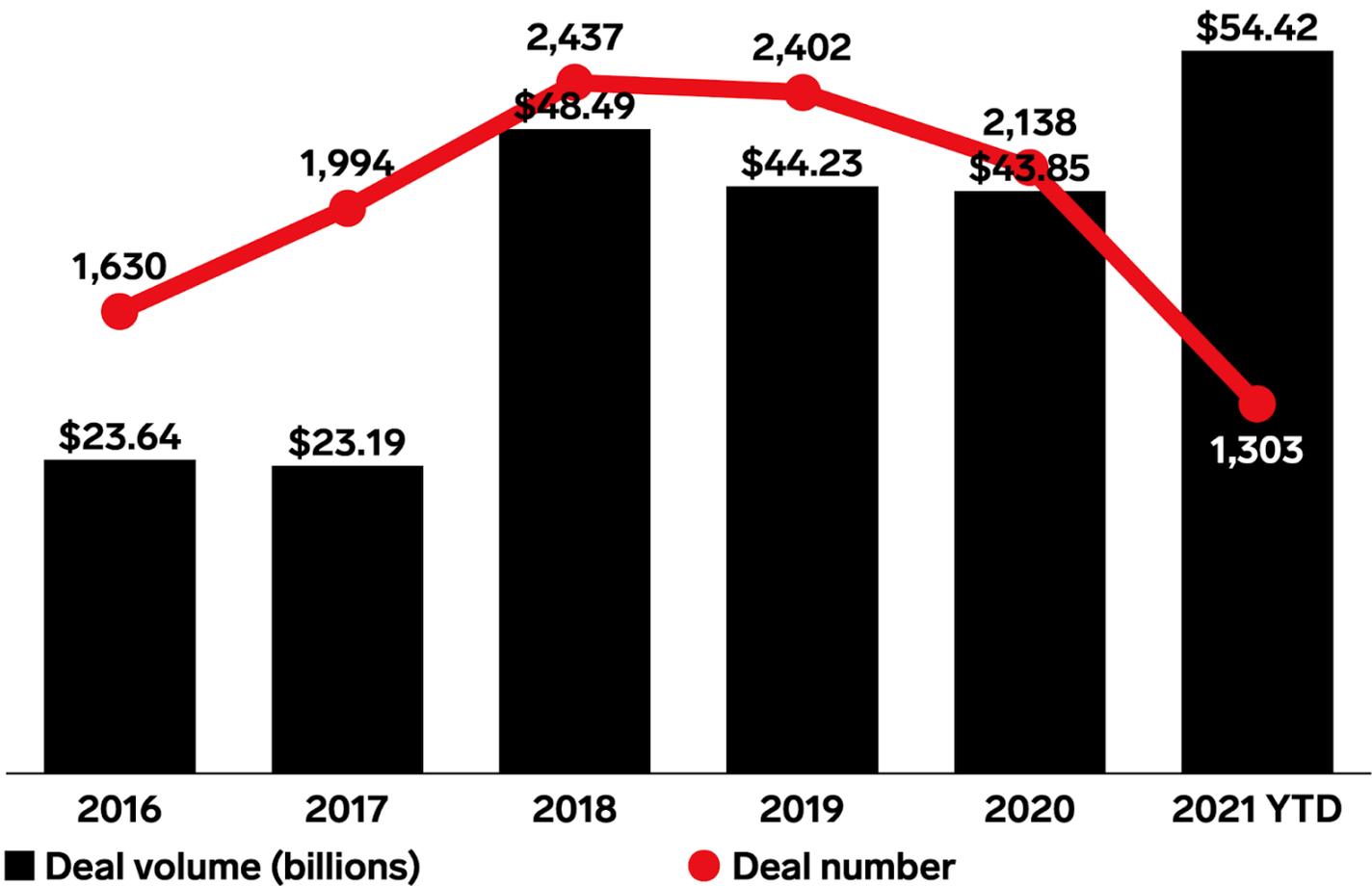
- Young startups are attracting less funding: **Pre-Series A funding peaked in 2018 at £265 million** and declined in both 2019 and 2020.
- Investors are betting big on established fintechs: **Revolut raised £580 million** (\$743.8 million), and **Bought By Many netted £250 million** (\$320.6 million) this year.
- UK fintechs' resilience has also improved: Only 15% of the fintechs from Clarus Investments' sample that were at least three years old went out of business, and **60% received funding** in the last three years.

What does this mean for the space? Funding should start to flow back to earlier rounds as investors seek returns through exits—but for many established fintechs' roadmap to profitability remain unclear.

- **Exits.** Recent notable IPOs include **PensionBee's** £409 million and **LendInvest's** £250 million exits this year. **JPMorgan also purchased Nutmeg for £700 million** in June. IPOs and incumbent M&A activity will tick up as the space matures.
- **Early rounds.** As VCs and other investors get a returns on their long-standing fintech investments, they will increasingly turn to early-stage rounds to bet on the next big thing, benefiting new startups.
- **Profitability.** Clarus' study highlights that the sector's maturity has not been accompanied by profitability: **Less than 5% of the sample fintechs were profitable in 2020.** While some fintechs will continue to prioritize growth at all costs, pressure to demonstrate clear paths to profitability will grow among established fintechs: UK neobanks have ramped up strategies to improve their margins, such as rolling out premium accounts and diving into business banking.

Go deeper: Click [here](#) for our take on how participating in a sandbox can help UK fintechs survive and address scaling challenges.

Annual Global Fintech Funding



Source: CB Insights, "State Of Fintech Q2'21 Report: Investment & Sector Trends To Watch," July 22, 2021

Methodology: Fundings were verified via various federal and state regulatory filings, direct confirmation with firm or investor, or press release.

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