AUG 16
Victor Chatenay

Listed fintechs' earnings highlight impressive growth, but it's been a bumpy year for insurtechs

Article

What we've noticed: A record number of fintech companies have gone public while facing a new requirement to publish their quarterly earnings. Their reports offer us a temperature check on the industry.

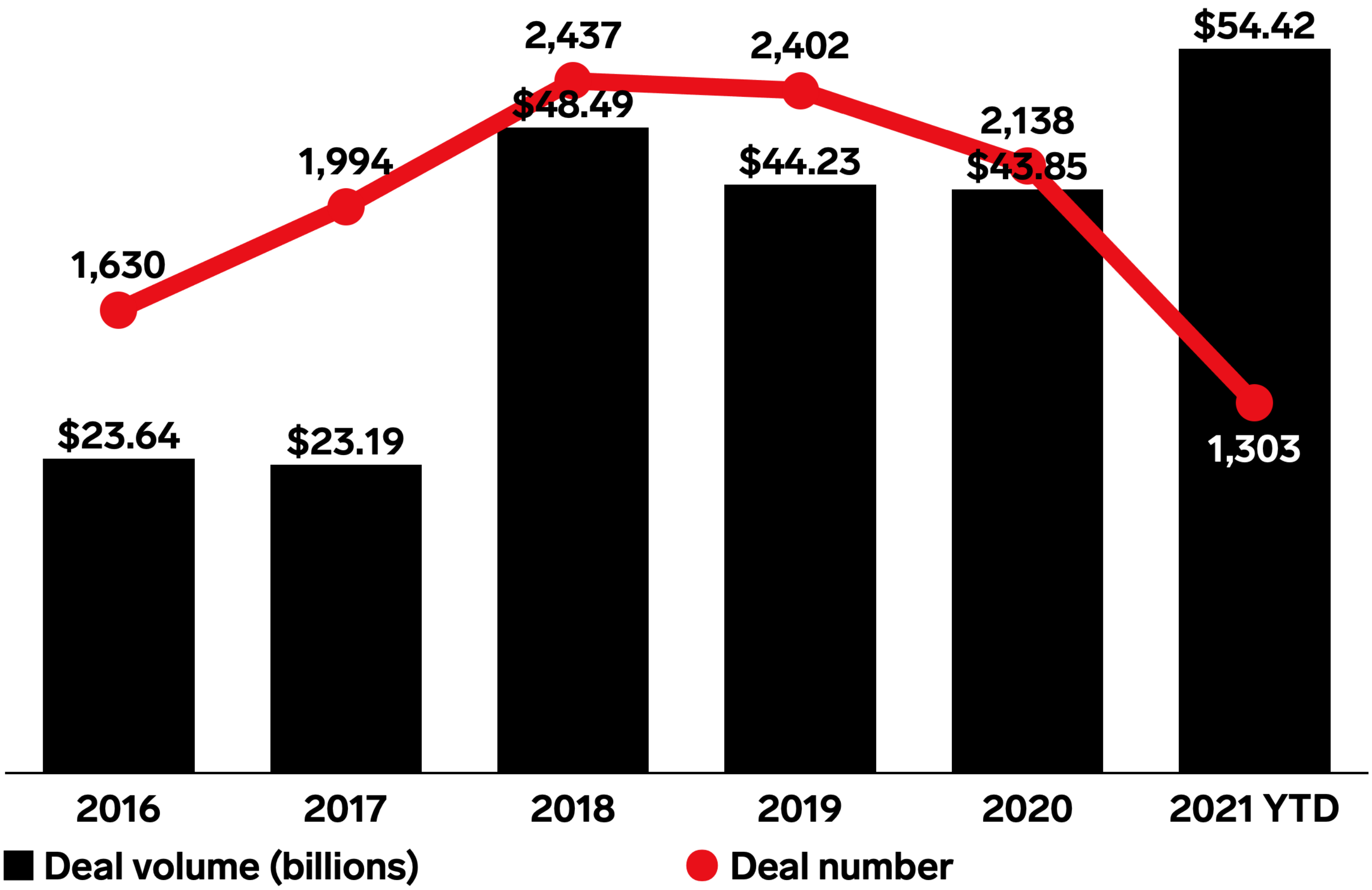
Fintech earnings highlights: A number of listed fintechs already have beat their 2020 revenues or are well on track to do so. But the net loss for many has widened.

- API issuer-processor **Marqeta's** net revenue of **$122 million** in Q2 was up **76%** year-over-year, while its net loss reached **$68,554**, up from $7,107 same time last year.
- Digital cross-border payments fintech **Flywire** grew revenue **56%** YoY to **$37 million** in Q2, while net loss came to **$18.1 million**, compared with $16 million in Q2 2020.
- Ahead of its public listing, **Robinhood** reported it reached **$522 million** in revenue for Q1, more than half the $959 million for all of 2020. But net losses reached a whopping **$1.4 million**, from $52,502 last year.
- **Coinbase** stands out for actually generating a profit. It reported **$2.23 billion** in revenue, up from $1.3 billion for all of 2020. It also recorded net income of **$1.61 billion**, up from $32 million in Q2 2020.

Looking ahead: Fintech exit momentum shows no signs of slowing down as more startups seek to emulate their predecessors' rapid growth.

Just **88** fintechs accounted for 70% of global fintech funding in Q2, leading to a record number of startups reaching sky-high valuations. The VCs will likely encourage them to go public to capitalize on the current fintech hype and make a lucrative exit. In addition, a surplus of available SPACs is competing for acquisition targets— meaning fintechs can potentially shop for the best deals to take them public. **KPMG** expects that H2 will see an increase in SPAC acquisitions focused on unicorn and near-unicorn fintechs.

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.

1045561116917 InsiderIntelligence.com

Zooming in on insurtechs, starting with Oscar Health

Before we delve into an overview of insurtechs, let's take a look at an individual insurtech, **Oscar Health,** whose recently released Q2 earnings report mirrors that of the fintechs we discussed earlier. The US-based health insurtech shared strong revenue growth while its losses widened.

Behind the numbers: Direct policy premiums increased by **44.4%** YoY to reach **$838.1 million**. This helped boost revenue to **$723,927** in Q2, compared to $393,540 at the same time last year.

The growth can be attributed to enrolling new members for plans under the ACA Special Enrollment Period and Medicare Advantage. Its commercial health plan for small businesses, which offers unlimited virtual care appointments at no cost, also benefited from a user uptick.

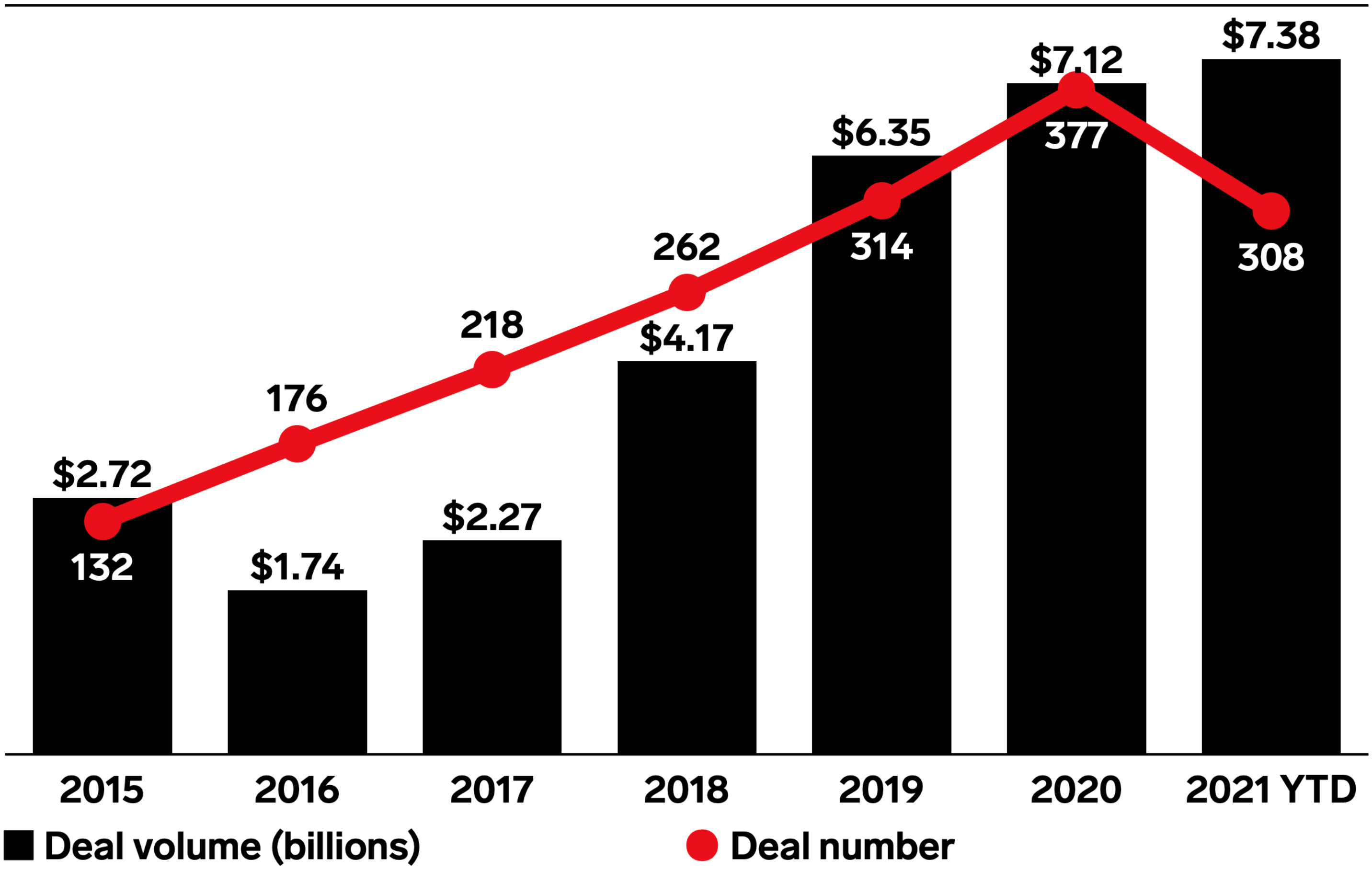
But its medical loss ratio—which measures the portion of premium income insurers pay ou through health care claims—reached **82.4%**, from 60.7% in Q2 2020. This was driven by higher-than-expected coronavirus testing and treatment costs. Such costs will likely continue as the delta variant leads to a resurgence in cases.

The bigger picture: Oscar aside, it hasn't been smooth sailing for publicly listed insurtechs, which have had a bumpy and controversy-ridden year.

- **Root's** and **Metromile's** underperformance on the market has raised concerns over insurtech valuations.
- Root also faces a class action lawsuit from investors claiming its IPO downplayed how long it would take for the firm to generate positive cash flow.
- **Clover Health**, which went public via a SPAC last October, was investigated by regulators this year for allegedly withholding information from investors.
- **Hippo** lost 83% of the capital raised by its SPAC, as investors withdrew funds before it went public.

Looking ahead: The controversies may cause insurtechs and investors to be more cautious—especially after seeing Hippo's loss. And insurtechs also don't face as much pressure to go public to raise capital as they used to. Now they can rely on record-setting levels of private funding, which has enabled them to raise **$7.38 billion** already in 2021, compared with $7.12 billion for all of 2020.

Annual Global Insurtech Funding



Source: Willis Towers Watson, "Quarterly InsurTech Briefing Q2 2021," July 29, 2021
Methodology: This data is reported quarterly by Willis Towers Watson.

1030441991679 InsiderIntelligence.com