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Late-stage fintechs fare well in slumping funding season

Article

The news: Fintech investors are favoring late-stage deals as the sector faces a funding crunch, per TechCrunch.

By the numbers: Globally, fintech funding increased slightly in June compared to prior months, but the bump in funding has occurred in dollar amounts, rather than in deal volume. Preliminary June figures show similar dollar amounts funding fewer deals, per CrunchBase.

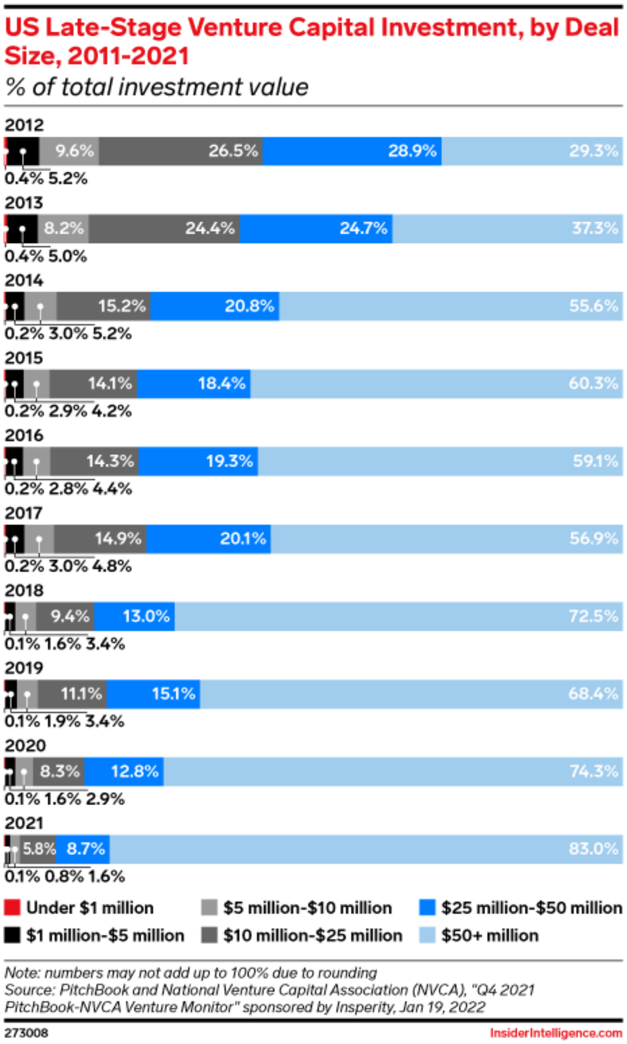
- The **week of June 16 to June 23 saw $1.5 billion in funding**, similar to the $1.4 billion in funding the week prior, and $1.2 billion two weeks prior.
- **But the number of deals last week came in at 39**, compared to 53 deals the week before, and 59 two weeks before.

Comparatively, fintech funding in 2022 is weak. Year over year, funding has been cut nearly in half, and so has the number of deals.

- Between June 1 and June 23, 2021, fintech companies **raised $8.2 billion through 272 deals**. During the same period in 2022, fintechs **raised $4.2 billion across 151 deals**.

Late-stage deals: The same amount of money funding a smaller number of deals indicates that venture capitalists are more focused on where they direct their assets. This trend, which we identified earlier in 2022, has continued as the economy stumbles.

- In early April, **Liquidity Group**, a firm that coordinates funding for later-stage tech companies, said it **received $775 million worth of commitments**.
- According to panelists at Finovate Europe 2022, capital-efficient startups are expected to bring in funding as opposed to those relying on long-term growth potential.
- Major investment capital fund managers, such as Ben Horowitz, founding partner of **Andreessen Horowitz**, are now meeting with startup companies before investing. The managers are reviewing how the startup companies spent their money over the past two years, and want the companies to offer truly differentiated products.



Contrasting figures: In contrast to the figures provided by CrunchBase, numbers from CB Insights seem to tell a slightly different story about fintech funding in Q2 2022.

- In the current quarter, **fintech funding to date has dropped 27% compared to the first quarter.**
- Late-stage companies are getting hit the hardest, with **series D funding and beyond dropping 43%.**

But still, investors are challenging fintechs to tighten up their costs.

- Sequoia told fintech founders to do exercises in cost cutting, essentially identifying places where they could lower expenses on short notice.

The big takeaway: As the Q2 numbers firm up over the coming weeks, a clearer vision will emerge to confirm or refute the focus on late-stage funding. But the overall picture of fintech funding shows that it's slowing, and that it looks to be falling to its lowest levels since 2020. And regardless of the stage of the company, venture capitalists are conducting much stronger due diligence on potential funding recipients before they invest to ensure those firms are prudently managing their money and keeping costs low.