



WEALTHTECH REPORT

APRIL 2024

OUR KEY TAKEAWAYS ON THE WEALTHTECH MARKET



WealthTech stocks confirmed their momentum in Q1 2024 following their strong rebound in Q4 2023, but are still lagging vs. some FinTech verticals



In Q1 2024, investors shifted their focus on early-stage companies, with fundraising levels surpassing those of later stage companies



Strategic buyers accounted for more than 70% of total WealthTech M&A deals in Q1 2024



In Q1 2024, average M&A deal value reached \$145m vs. \$98m in 2023, highlighting acquirers focus on more mature assets



In Q1 2024, WealthTech accounted for 8.0% of total FinTech M&A activity with 78 deals vs. 11.8% in 2023



In 2024, the fragmented WealthTech market is expected to continue to increase its consolidation driven by further digitalization of legacy players and changing regulation

DRAKE STAR'S PARTNER, SAM LEVY ATTENDED GLOBAL WEALTHTECH SUMMIT 2024



SAM LEVY

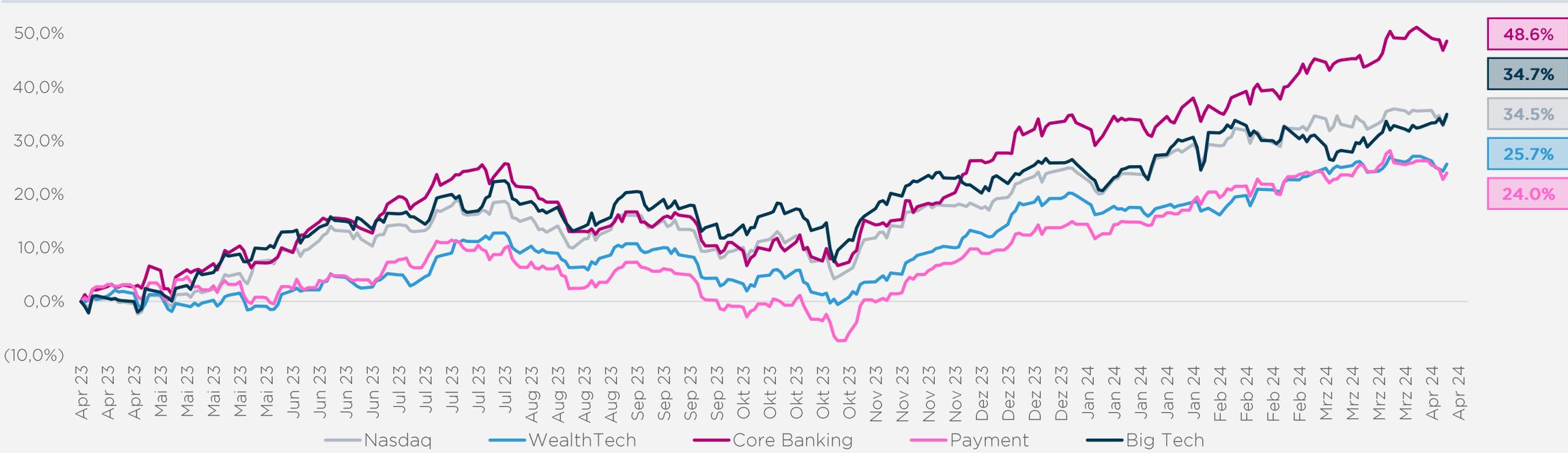
Partner

*“WealthTech players see the potential for AI to profoundly transform their industry. From supporting the largest ever generational wealth transfer to augmenting user experience, **the AI-opportunities are real.** However, panelists at the Global Wealth Tech Summit warn against **AI hallucinations and data privacy.** Humans remain critical in interpreting and interfacing with clients and the results of **AI cannot become a black box, but rather needs to be auditable, traceable and disclosed as such to the clients.**”*



WEALTHTECH STOCKS EXPERIENCED A STRONG RECOVERY AT THE END OF 2023 CONTINUING INTO 2024 BUT ARE LAGGING VS. OTHER FINTECH VERTICALS

LTM¹⁾ Share Price Development



WEALTHTECH

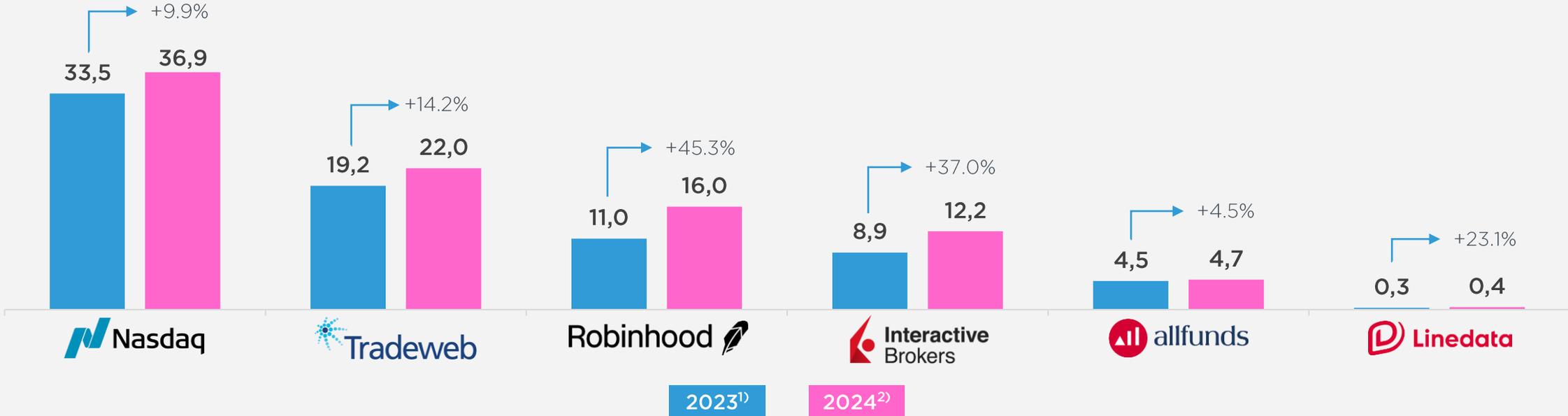
CORE BANKING & LENDING

PAYMENT

BIG TECH

VALUATIONS OF LEADING WEALTHTECHS HAVE EXPERIENCED A STRONG REBOUND IN Q1 2024 AFTER A DIFFICULT 2023

Market Capitalization (\$bn)



- After a challenging 2023, WealthTech valuations experienced a strong rebound in Q1 2024, driven by the resurgence of alternative asset classes such as cryptocurrency and ESG investments, as well as evolving regulations driving increase demand for WealthTech solutions

EXAMPLES



Recent approval by the U.S. Securities and Exchange Commission (SEC) of spot Bitcoin ETFs has pushed the prices of cryptocurrencies to all-time highs, benefiting WealthTechs like Robinhood



Increasing focus on ESG/sustainable investments by asset managers is **attracting younger generations seeking to invest in companies committed to responsible and sustainable practices**

IN THE LAST 16 MONTHS, MAJOR WEALTHTECH DEALS WERE DOMINATED BY STRATEGIC BUYERS

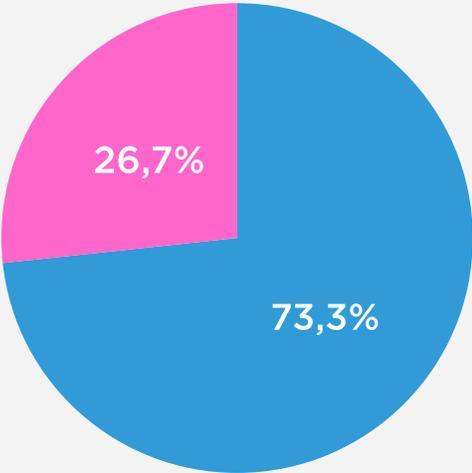
Target	HQ	Description	Buyer	Rationale	Deal Date	Deal Value (\$m)	EV/REV	EV/EBITDA
 Figure Markets		Developer of a digital asset platform intended to trade, borrow and invest in a single decentralized space.	 	The funds will be used to build a decentralized competitor to the largest centralized crypto exchanges.	Mar-24	60	n/a	n/a
 Nest Wealth		Developer of a digital wealth management platform designed to provide financial advice.		Expand Objectway capabilities and geographic footprint in North America.	Jan-24	n/a	n/a	n/a
 Vestwell		Developer of a digital retirement platform designed to create a retirement plan for employees.	 	Expand Vestwell state-savings and general saving programs and developing its product offering.	Dec-23	115	n/a	n/a
 Alpheya		Developer of an AI-powered WealthTech platform for wealth and asset managers, private banks, and investment houses.		Alpheya will leverage BNY Mellon deep expertise in providing client with digital wealth management solutions, utilize its network and data capabilities.	Nov-23	300	n/a	n/a
 Adenza		Developer of cloud-enabled front-to-back technology software intended for financial markets.		The acquisition advances Nasdaq's transformation, further expanding the company's capabilities to support the world's financial institutions.	Nov-23	10,500	17.8x	n/a
 Burgiss		Provider of portfolio management software and data analytics designed to streamline investments for private markets.		Complement MSCI positioning as a data provider for real estate asset by integrating.	Oct-23	679	11.7x	n/a
 Broadway Technology		Developer of financial trading software intended to build intelligent trading systems for leading financial institutions.		Enables Bloomberg to provide a low latency execution management and deliver further innovations in multi-asset software.	Oct-23	450	n/a	n/a
 Altruist		Developer of a digital investment platform designed to help financial advisors.		Reinforce Altruist's automation capabilities portfolio management and client personalization.	Apr-23	111	n/a	n/a
 Cushon		Developer of an online savings and investment platform offering optimized ready-made portfolios.		Expand NatWest Group's financial wellbeing services their customers by integrating a workplace pensions and savings proposition.	Jan-23	168	n/a	n/a
 Kron		Developer of an app designed to offer fund-investing opportunities.		Offer Kron's technology to Storebrand's existing customer base and attract new customers.	Jan-23	40	n/a	n/a

IN Q1 2024, STRATEGIC BUYERS ACCOUNTED FOR OVER 70% OF ALL WEALTHTECH M&A DEALS, CONTINUING THE TREND OBSERVED IN 2023

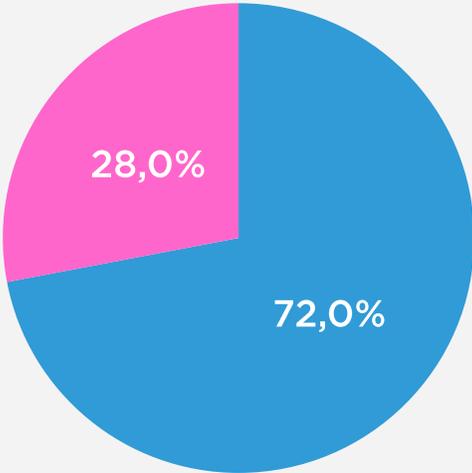
Share of All WealthTech M&A Deals in Q1 2024 & 2023

Comments

2023



Q1 2024



STRATEGICS

Strategic buyers' M&A activity surged as legacy players increased their digitalization efforts to cope with growing competition and customer demands:

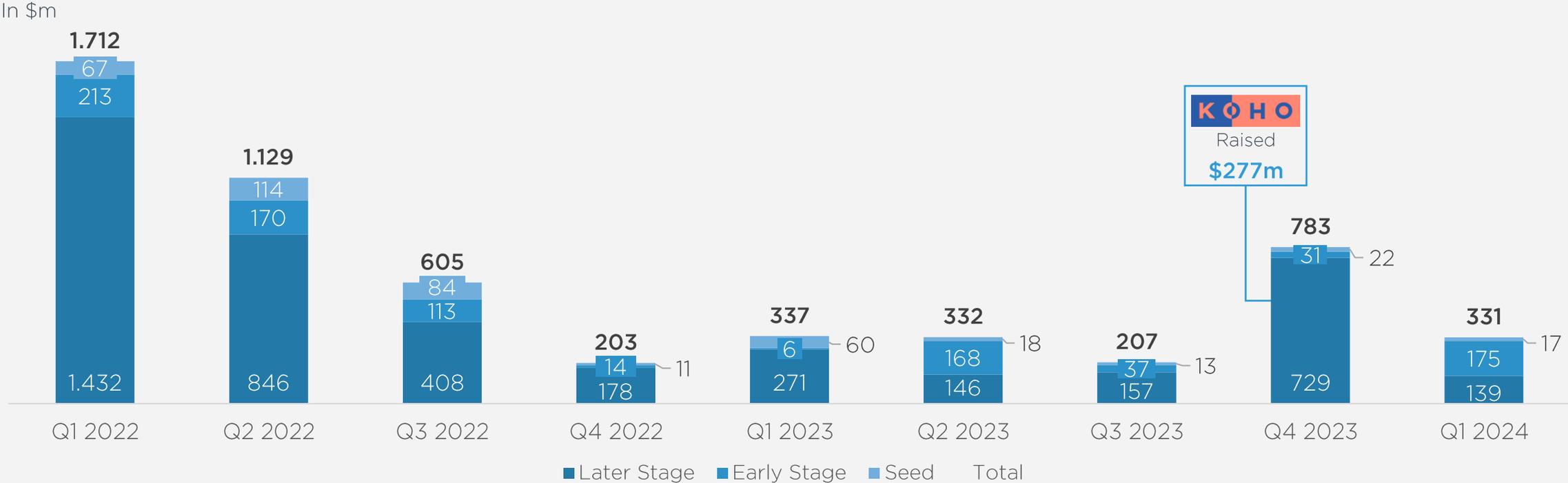
-  Acquiring new technology, combining products and processes to increase competitiveness
-  Enhance clients' experience by creating a more personalized environment, especially when it comes to investment profiles
-  Leveraging digital solutions to reduce operational costs

PRIVATE EQUITY

Private equity M&A activity grappled with challenges. Those challenges were:

-  High-interest rates, prompting cautious maneuvering across sectors, especially in asset valuation
-  Inflation sparking financial market volatility and uncertainty
-  High geopolitical tension in Europe and the Middle East

AFTER SHARP DECREASE IN FUNDING ACTIVITY, INVESTMENT IS SLOWLY STARTING TO PICK UP



Later stage fundraising has **decreased 48.7% from Q1 2023 to Q1 2024**. This decrease is **driven by the current economic and geopolitical environment**



In Q1 2024, investors started shifting their focus back to early-stage companies as fears of recession and a decreasing inflation boosted investor optimism

AVERAGE DEAL SIZE CONTINUED TO GROW REACHING \$145M IN Q1 2024 VS \$98M IN 2023

WealthTech Deal Count and Average Deal Value¹⁾ 2022 – Q1 2024

Average deal value¹⁾ in 2022: **\$44m**

10.1% of total FinTech M&A activity

Average deal value¹⁾ in 2023: **\$98m**

11.8% of total FinTech M&A activity

Average deal value¹⁾ in Q1 2024: **\$145m**

8.0% of total FinTech M&A activity



Comments:



- In Q1 2024, WealthTech M&A deals accounted for a slightly lower proportion of total M&A FinTech deals, dropping to 8.0% from 11.8% in 2023. However, despite the decrease, the average M&A deal value has risen by 45% in Q1 2024 vs. 2023



- Overall M&A deal volume dropped 38.1% in Q1 2024 vs. Q4 2023
- The increase in average deals value was driven by strong activity from strategic buyers

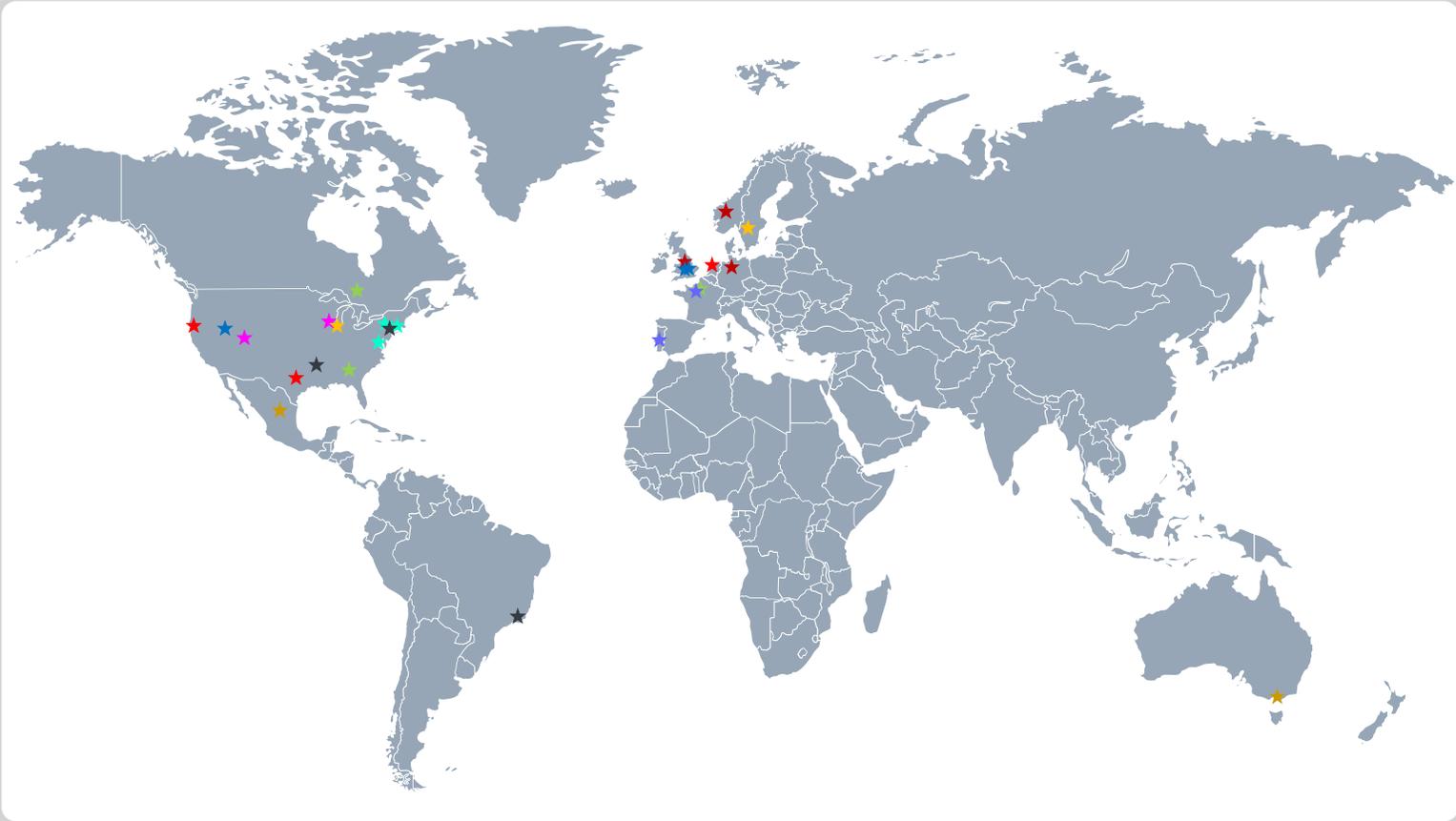
THE TOP 5 STRATEGIC AND FINANCIAL CONSOLIDATORS IN WEALTHTECH FOCUS THEIR ACQUISITIONS ON THE U.S. AND EUROPE

TOP 5 MOST ACTIVE FINANCIAL CONSOLIDATORS*

★ GENERAL ATLANTIC	HOUSE OF CONTROL	CLIPWAY	Buchhaltungstutler
★ TA ASSOCIATES	NAPA VALLEY WEALTH MANAGEMENT	snow	ULTIMO
★ Hg	IFS	GTREASURY	HOUSE OF CONTROL
★ Blackstone	exee SOLUTIONS	NFO	Zavitz
★ aspect INVESTORS	BPD ZENITH	Peacock engineering	CITTA BROKERAGE CO.

TOP 5 MOST ACTIVE STRATEGIC CONSOLIDATORS*

★ coinbase	velodrome	Digital Assets	ONERIVER ASSET MANAGEMENT
★ Tradeweb	ICD Treasury First	robin	yieldbroker
★ MSCI	REAL CAPITAL ANALYTICS	FABRIC	Burgiss
★ Linedata	DreamQuark	AUDAXYS	
★ wisetech global	Sistemas CASA	Matchbox exchange	



WEALTHTECH MARKET OUTLOOK

Further Market Consolidation

- Over the next 12 to 14 months, further consolidation is expected, driven by the growing necessity for profitability and high-quality products as the industry matures and VC funding becomes less accessible
- In addition, as legacy players continue their digitalization efforts, they also focus on more tailored solutions, thereby fueling additional acquisitions

Changing Regulations

- Stricter regulations, such as those from the FCA, focusing on customer transparency and best interests, will heighten compliance requirements in wealth management. This growing imperative will fuel demand for WealthTechs, as firms seek efficient solutions to meet regulatory standards while effectively serving clients

AI-Based Advisors

- AI-powered robo-advisors are revolutionizing the investment landscape. Leveraging sophisticated algorithms, they provide highly personalized investment advice, enabling companies to provide the best solutions to customers
- As asset management is expected to grow at a CAGR of 14% until 2027, such AI solutions will become critical for companies to stay ahead of competitors

Asset Classes Diversification

- The emergence of new asset classes like cryptocurrency, alternative investments, and ESG-focused opportunities, combined with a new generation, harboring different investing philosophies, and gaining access to capital, fuels increased demand for technology facilitating access to these assets
- In the US, the younger generation is poised to inherit a staggering \$90 trillion in assets before 2044

Security and Fraud Prevention

- This is a critical issue and market participants are adopting more sophisticated technologies to enable security and fraud prevention measures
- AI-powered systems are emerging to safeguard transactions and detect anomalies and prevent fraud
- In early 2024, 62% of businesses said reducing fraud and increasing security is an urgent concern



HIGHLY FRAGMENTED MARKET IS DRIVING THE NEED FOR CONSOLIDATION

WEALTHTECH LANDSCAPE

The WealthTech landscape has become very crowded with over 1,500 companies. We have mapped out a select number of players and assigned them to specific areas of the value chain. Some companies also offer solutions for more than one component of the value chain.

Investing tools

Asset Management

Robo-advisor

Digital Brokerage & Stock Exchange

Financial Management Solution

Trading & Risk Systems

Portfolio Management

GLOBAL REACH COMBINED WITH LOCAL PRESENCE

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WEALTHTECH REPORT

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