

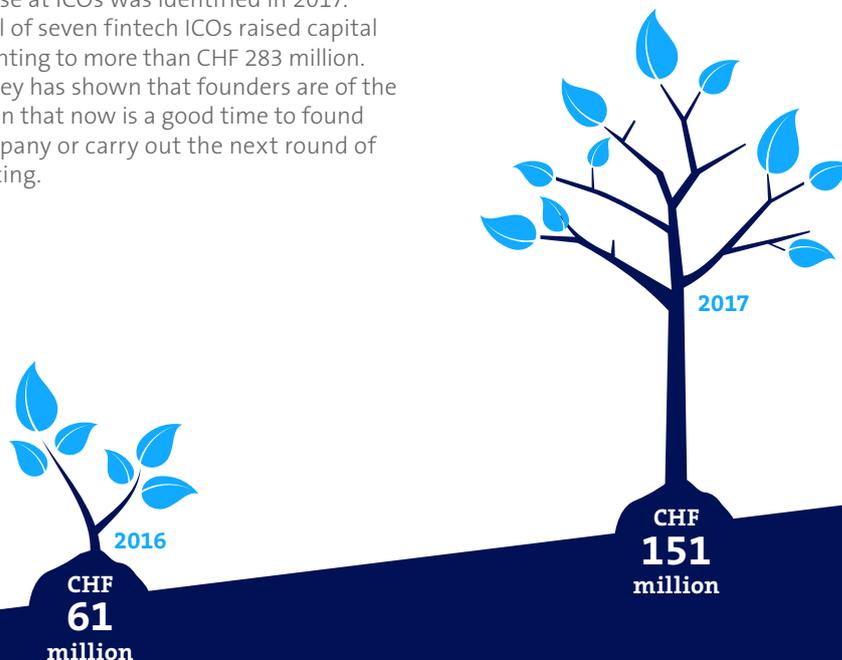
Sharp increase in investments in Swiss fintechs

For the second year in a row, e-foresight has carried out an analysis of capital expenditure in Swiss fintech start-ups. In addition to the total volume of capital expenditure in Switzerland, the study also illustrates how this is distributed among the individual areas of business. In 2017, investments in Swiss fintechs increased sharply compared to the previous year.

Whereas venture capital expenditure still amounted to CHF 61 million in 2016, this figure increased to CHF 151 million in 2017, representing a growth rate of 147 percent. In total, 48 rounds of capital expenditure were registered, as well as three M&A activities. In 2017, both the number of deals and the respective volumes increased. In addition to the venture capital expenditure, a sharp increase at ICOs was identified in 2017. A total of seven fintech ICOs raised capital amounting to more than CHF 283 million. A survey has shown that founders are of the opinion that now is a good time to found a company or carry out the next round of financing.

Consequence

- > It can be expected that capital expenditure will increase further in 2018
- > It can be assumed that the crypto sector will continue to grow
- > Larger sums can be expected for each deal, as well as further ICOs



Fintech Investment Report

The present study is a comprehensive analysis of capital expenditure in Swiss fintech start-ups in 2017 and was written by e-foresight in collaboration with the Institute of Contemporary History (IFZ) and Swisscom. The analysis shows the volume of capital expenditure in Swiss fintech start-ups, as well as how this is distributed among the individual areas of business. The most significant results are summarised in the following report.

Overview

The volume of capital expenditure in Swiss fintechs in 2017 amounts to CHF 151 million, this representing an increase of 147 percent compared with 2016 (CHF 61 million). A total of 48 rounds of capital expenditure (deals) were registered in Switzerland, from which the figures from 38 deals are known. ICOs are excluded from both the volume of capital expenditure and the number of deals and are dealt with separately in the section below.

Crypto is a stand-out area of business

The CHF 151 million of venture capital financings were distributed among eight areas of fintech business. Comparing capital expenditure in around 210 fintech start-ups on the Swiss fintech start-up map in 2017 demonstrates that the individual areas of business attract a great deal of capital in varying amounts.

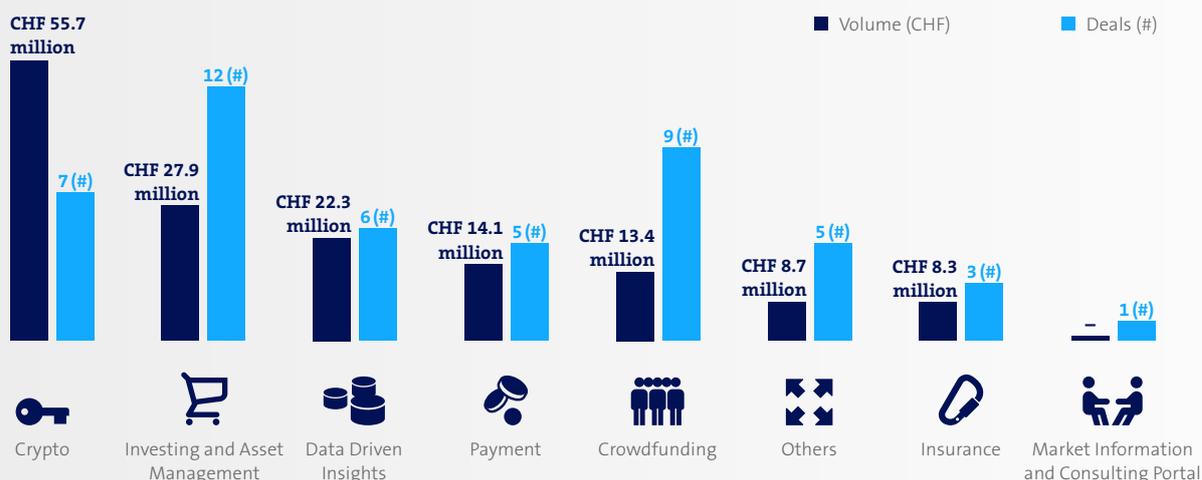
Figure 1 shows the category most impacted by capital expenditure and how many rounds of capital expenditure (deals) have taken place. The crypto sector attracted the most capital at CHF 55.7 million. ICOs are not included in this. Investing and Asset Management is the area of business in second place with CHF 27.9 million, followed by Data Driven Insights with a volume of capital expenditure of CHF 22.3 million. Fundamentally, all segments apart from Insurance registered an increase in 2017.

The highest number of rounds of capital expenditure is registered in the Investing and Asset Management area of business with 12 deals, followed by Crowdfunding with nine deals. The crypto category occupies third place with seven deals. Generally, however, the deals are well distributed across all categories.

At CHF 8 million, the average round of capital expenditure in the crypto sector is considerably higher than the total average level of capital expenditure of CHF 4 million. From this, it can be deduced that start-ups in the crypto sector have a high level of growth potential.

Figure 1

Overview of the volume of venture capital expenditure across the eight areas of business



11
deals
exceeded
the CHF
5 million
mark
in 2017.

It is not just the volume of capital expenditure that grew in 2017, but also the size of deals – ever larger deals are being registered. Particularly striking is the increase in deals of over CHF 5 million. In 2017, there were 11 deals amounting to over CHF 5 million. This equates to a significant increase on the previous year, in which there were two such deals. This example clearly shows that investors are, little by little, also prepared to finance larger and more last-minute deals.

Figure 2 shows the percentage distribution of the volume of venture capital investments across the eight areas of business on the Swiss fintech start-up map. The crypto area of business makes up 37 percent of the total volume of venture capital expenditure in Switzerland in 2017. In second place is the Investing and Asset Management area of business (19 percent) with Data Driven Insights in third place (15 percent).

A different picture emerges when considering rounds of capital expenditure (Figure 3). The Investing and Asset Management area of business closed the most rounds in 2017, accounting for 25 percent of all deals. This means that a quarter of rounds of capital expenditure were made in Swiss start-ups from the Investing and Asset Management sector. In second place is the Crowdfunding area of business with 19 percent, followed by crypto with 15 percent.

A comparison of the volume with the number of deals shows that the Investing and Asset Management category registered several, deep rounds of capital expenditure. From this, it can be deduced that early-stage capital expenditure with low volumes have tended to occur in these sectors.

Figure 2
Distribution of the volume of capital expenditure

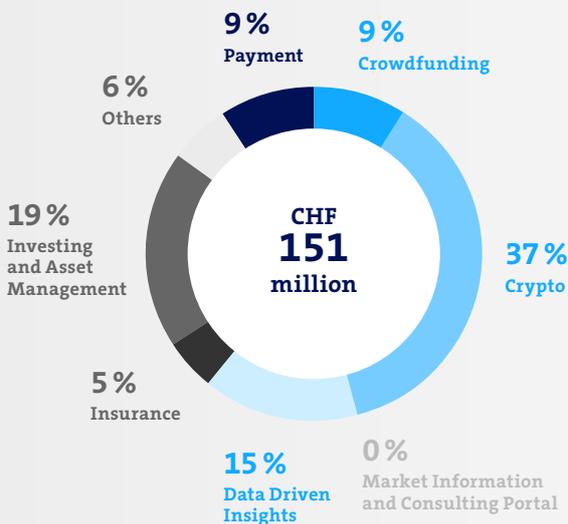
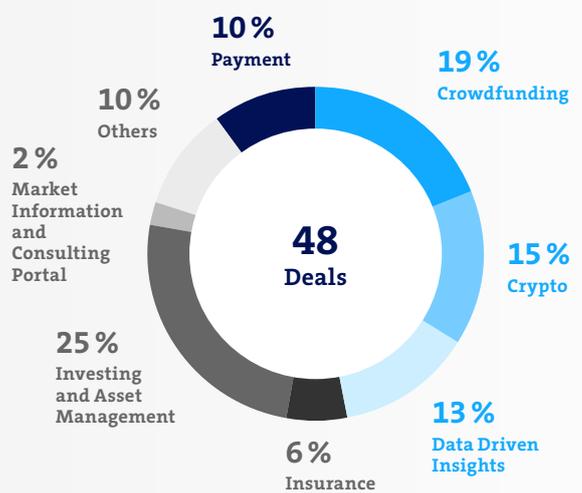


Figure 3
Distribution of the rounds of capital expenditure (deals)

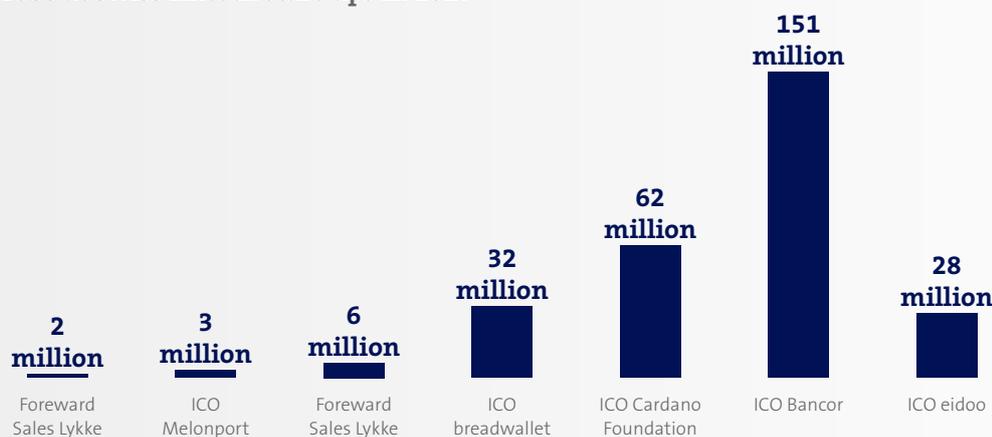


ICOs sharply increased in 2017

ICOs (Initial Coin Offerings) are comparable with share issues of a start-up. The tokens sold are mostly similar to non-voting bearer shares and serve as a means of finance for start-ups based on Blockchain technology.

Figure 4 shows the development of ICOs in the fintech sector in Switzerland in 2017. Seven ICOs are recorded as having procured over CHF 283 million of capital between them. The start-up Bancor absorbed the most capital of any ICO with roughly CHF 151 million. It is expected that this trend in ICO growth will also continue in 2018. As early as the start of the year, the start-up Swissborg raised CHF 50 million at its ICO.

Figure 4
ICOs at Swiss fintech start-ups in 2017



150 million

Whereas venture capital expenditure still amounted to CHF 61 million in 2016, this figure increased to CHF 151 million in 2017, representing a growth rate of 147 percent.

The crypto boom is changing the map

Figure 5 shows the geographical distribution of venture capital expenditure in Swiss fintech start-ups. Furthermore, the Canton of Zurich is the home of choice for fintech start-ups. Compared to the previous year, the Canton of Zug became significantly more attractive, particularly for blockchain-related start-ups. Other cantons, such as St. Gallen, Waadt and Geneva also recorded a growing volume of capital expenditure in 2017.

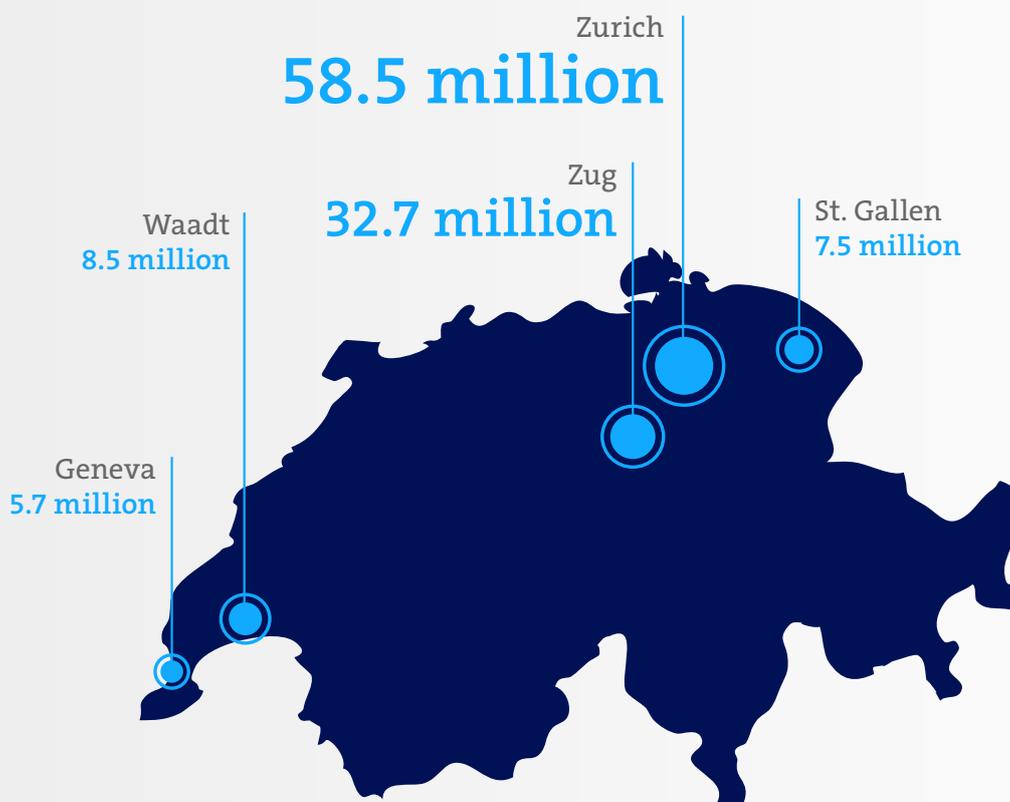
The time is right

An unambiguous result emerges from a survey conducted by e-foresight. The conditions are favourable for founding a fintech start-up in Switzerland. Financing targets are being hit and the challenge of securing rounds of financing is manageable. As such, good start-ups are profiting from optimum conditions for acquiring the necessary funding.

Effects

Capital expenditure is expected to increase further in 2018. As regards the eight areas of business, we can assume that the volume of capital expenditure in crypto start-ups will continue to increase. Investors seem to be prepared to invest larger amounts per deal.

Figure 5
Geographical distribution of venture capital expenditure



More information

You can find further [fascinating information on the topic of banking](#) on our website, as well as [further current studies and white papers](#) around the topic of the digital transformation and banking, which can be downloaded.

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