



NYU Fintech Conference

Fall 2018

Confidential.

Agenda

1 Bain Capital Ventures

2 Fintech Industry Overview

3 Fintech Sub-segment Deep-dive

4 Applying the Fintech lens to other verticals



Bain Capital Ventures

Bain Capital History

BCV is the venture / growth equity affiliate of Bain Capital, an alternative asset management firm with over \$100B of assets under management and 14 offices across the US, Europe and Asia



Over \$100B managed by 390 global investment professionals:

US

Boston, New York, Chicago,
Palo Alto, San Francisco

Europe

Dublin, London, Munich

Asia




Hong Kong, Melbourne, Mumbai,
Shanghai, Sydney, Tokyo

	Bain Capital Ventures	Bain Capital Private Equity	Bain Capital Public Equity	Bain Capital Credit
Strategy	Venture and Growth Equity	Global Private Equity	Public Equity Hedge Fund	Leveraged Finance/ High Yield Credit
Inception	2000	1984	1996	1998
AUM	\$4B	\$43B	\$2B	\$37B
Investment Professionals	31*	227	11	135

Note: Firm-level AUM for Bain Capital is estimated and is presented as of March 31, 2018, unless otherwise noted. Firm-level AUM is inclusive of AUM for Boylston Advisors, another registered investment adviser within Bain Capital, which is \$4 billion as of March 31, 2018. Please see the Notes to Performance for additional information regarding AUM calculation. Headcount as of August 1, 2018. *BCV headcount as of August 31, 2018.

BCV Overview

BCV is a leading venture capital and growth equity firm with 18 years of strong performance

 Industries	 Stages	 Geographies
<p>Enterprise-focused technologies including:</p> <ul style="list-style-type: none"> ✓ Business Services: SaaS / Cloud / Web Services ✓ Infrastructure: Data Center / Virtualization / Security ✓ Financial Technology and Services ✓ Healthcare Technology and Services 	<ul style="list-style-type: none"> ✓ Seed-stage ideas through mature companies seeking growth equity ✓ Equity checks from \$1M to \$100M+ ✓ Deals include minority transactions, majority recaps, and combinations of both primary and secondary capital ✓ Often equity-only, but will selectively add debt to investments 	<ul style="list-style-type: none"> ✓ Early stage: Boston, NYC, Bay Area ✓ Growth stage: Across North America as well as Western Europe for deals with large sales/customer presence in the US

Some BCV Success Stories Across Industries

 Sold to Summit Partners	 Sold to Revelstoke	 Sold to Dell	 Sold to EMC	 Sold to Compuware	 Sold to Allstate	 Sold to LexisNexis
 Sold to RR Donnelly	 Sold to UnitedHealthcare	 Sold to Jack Henry (Nasdaq: JKHY)	 Sold to Amazon.com	 Sold to Symantec	 Sold to Towers Watson	 Sold to Fresenius
 IPO (NYSE: LNKD)	 Sold to VeriSign	 Sold to EMC	 Sold to Oracle	 Sold to TruePosition	 IPO (NYSE: LNKD)	 Sold to Google
 Recap by Tiger Global	 IPO (Nasdaq: TLEO)	 Sold to Twitter Nasdaq: TWTR	 Sold to Twitter Nasdaq: TWTR	 Sold to Google	 Sold to Thomas Bravo	 Sold to Auto Trader

Fintech Investment Portfolio

We have built deep institutional knowledge in the FinTech / Financial Services space by investing in payments, lending, investing, and insurance

Payments



Automated bill payment and AP solutions



Bookkeeping for small businesses



Automated PCM and AR solutions



Service management software



Financial services provider (China)



Expense management software



International payments technology



Parking and transit mobile payments solutions



B2B digital disbursements and prepaid solutions

Investing



Independent, fully-funded ETF company



Transparent stock exchange



Transparency in financial services operations



Portfolio analytics for institutional investors



Digital currency conglomerate



Operating layer for desktop apps



Single-family rental marketplace



Robo-advisor



Consumer investment and savings app

Lending



Loan origination in automotive sector



Home transaction platform

Insurance



Technology-enabled commercial insurance



Extended warranty service provider



Payroll, benefits, and compliance solutions

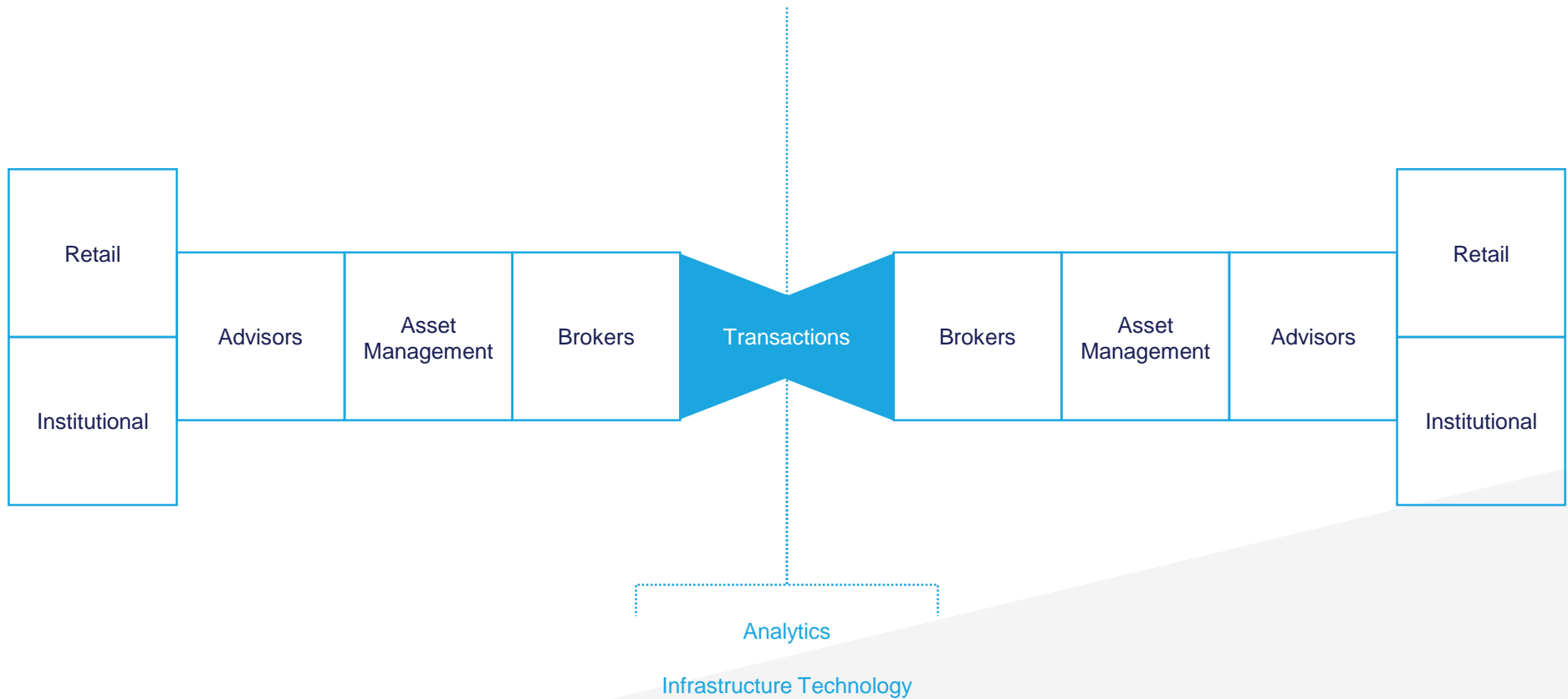


Mobile automobile telematics

Note: Note: Includes representative investments, both active and exited, from 2012-2018.

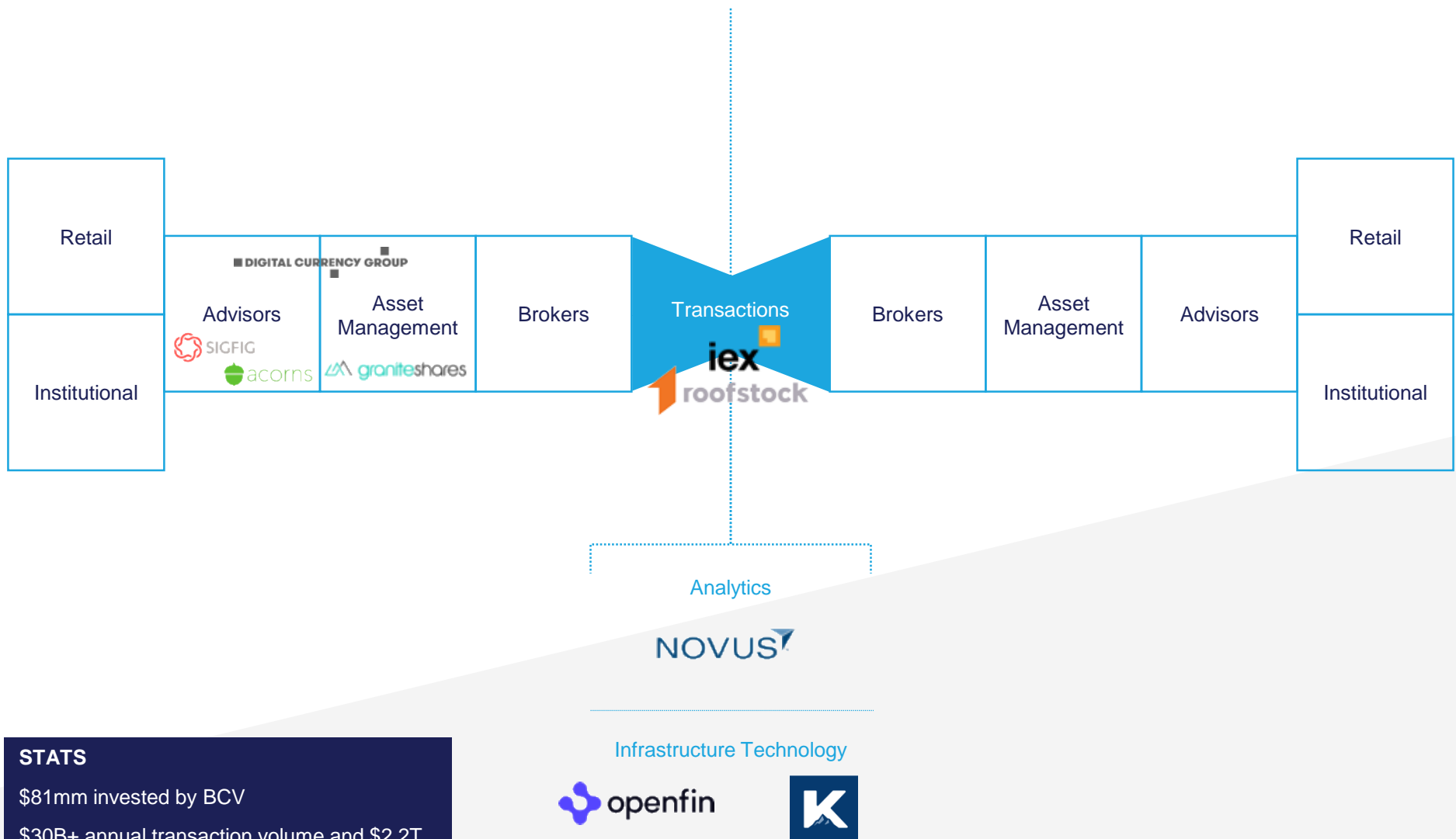
Investing

Landscape



Investing

Landscape



STATS

\$81mm invested by BCV

\$30B+ annual transaction volume and \$2.2T under advisement / management

Insurance

Landscape

Coverage Type



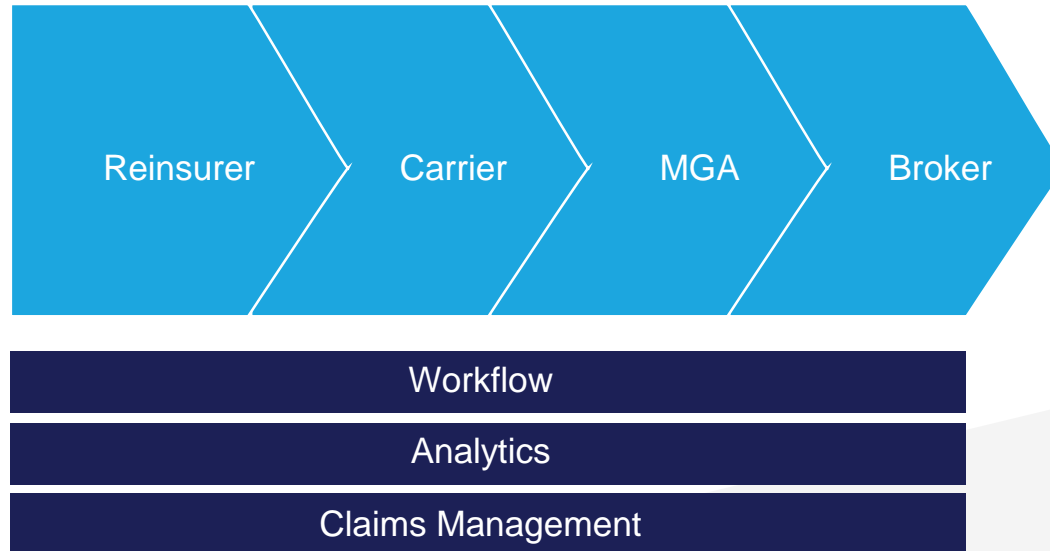
Customer Type

Enterprise

Middle Market

SMB

Consumer



STATS

\$63mm invested by BCV

\$1.2B Squaretrade exit to Allstate

Insurance

SquareTrade

Coverage Type



Health

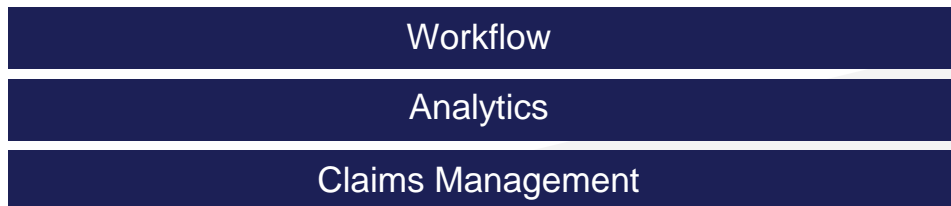
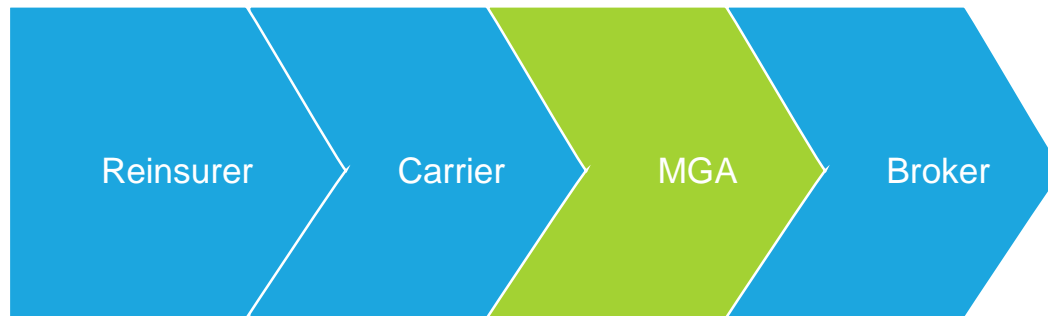


Wealth



P&C

Customer Type



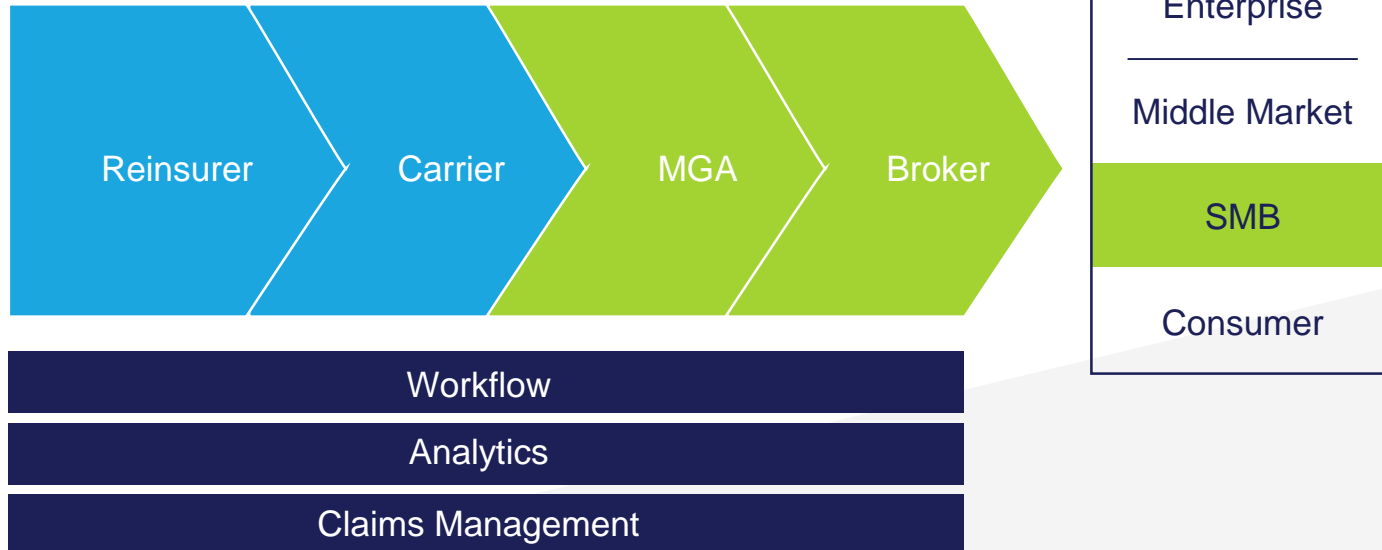
Insurance

Justworks

Coverage Type



Customer Type



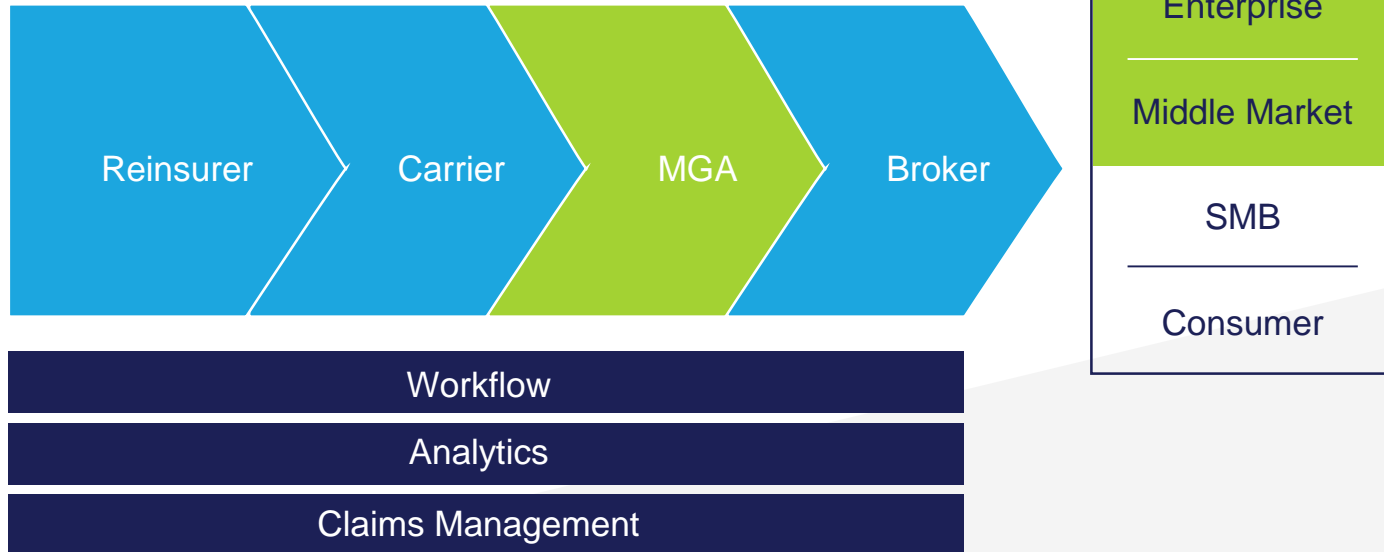
Insurance

Corvus

Coverage Type



Customer Type



The background features a complex digital aesthetic with a grid of binary code (0s and 1s) in shades of blue and white. Overlaid on this are several data visualization elements: a bar chart with blue bars of varying heights, a line graph with a blue and purple curve, and various numerical values in white and blue. A large white diagonal shape, resembling a stylized arrow or a large 'V', points from the top-left towards the bottom-right, framing the central text.

Fintech Industry Overview

+8.76

65.32

+6.59

99.99

+1.33

5.442

71.45

15.44

64.2

75.25

55.01

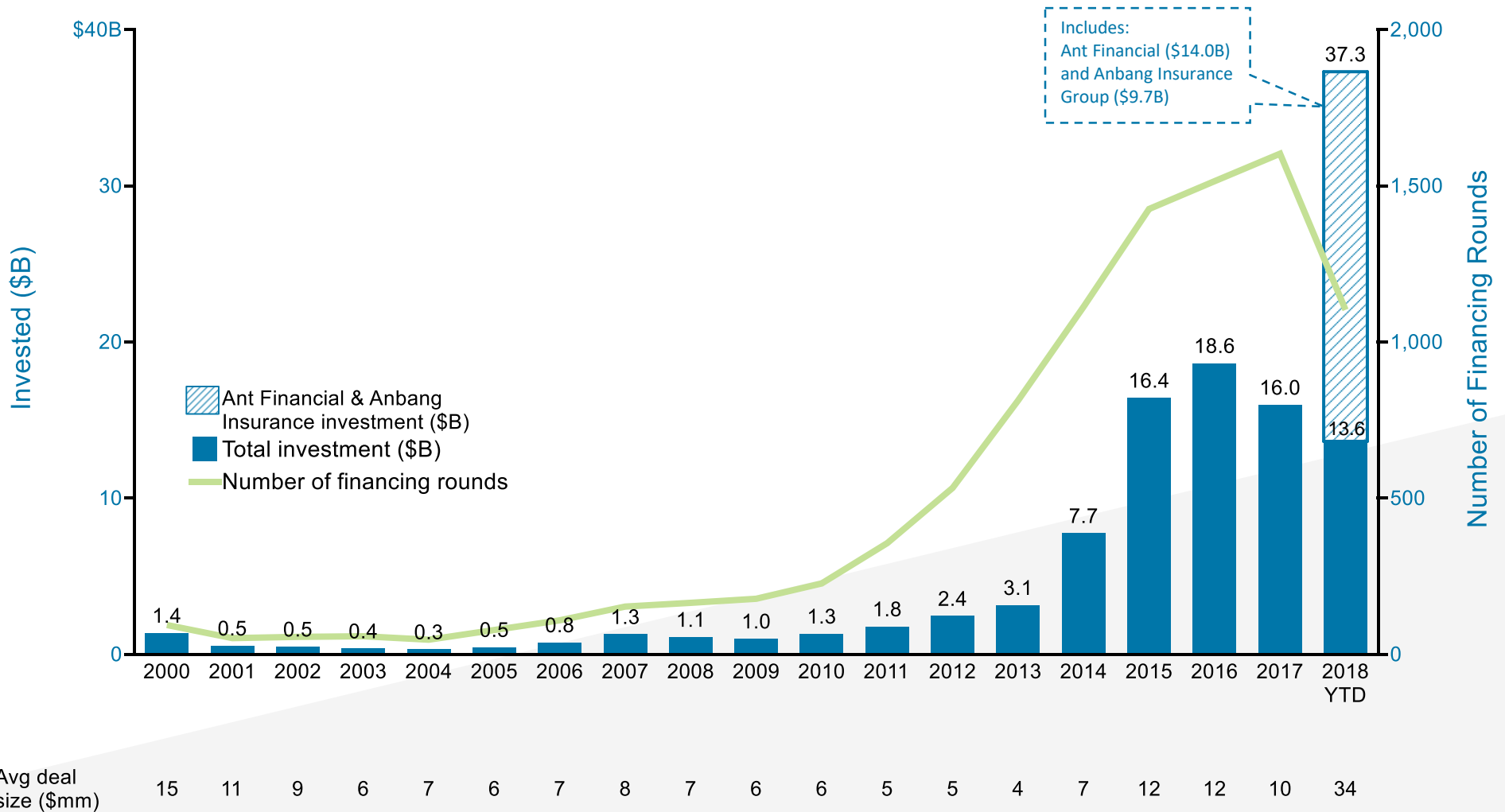
1..233

-1.23

11.08

Deal Analysis I

Fintech has seen a notable inflection in new investments since the financial crisis and average deal size has increased ~8.5x from the 2013 average

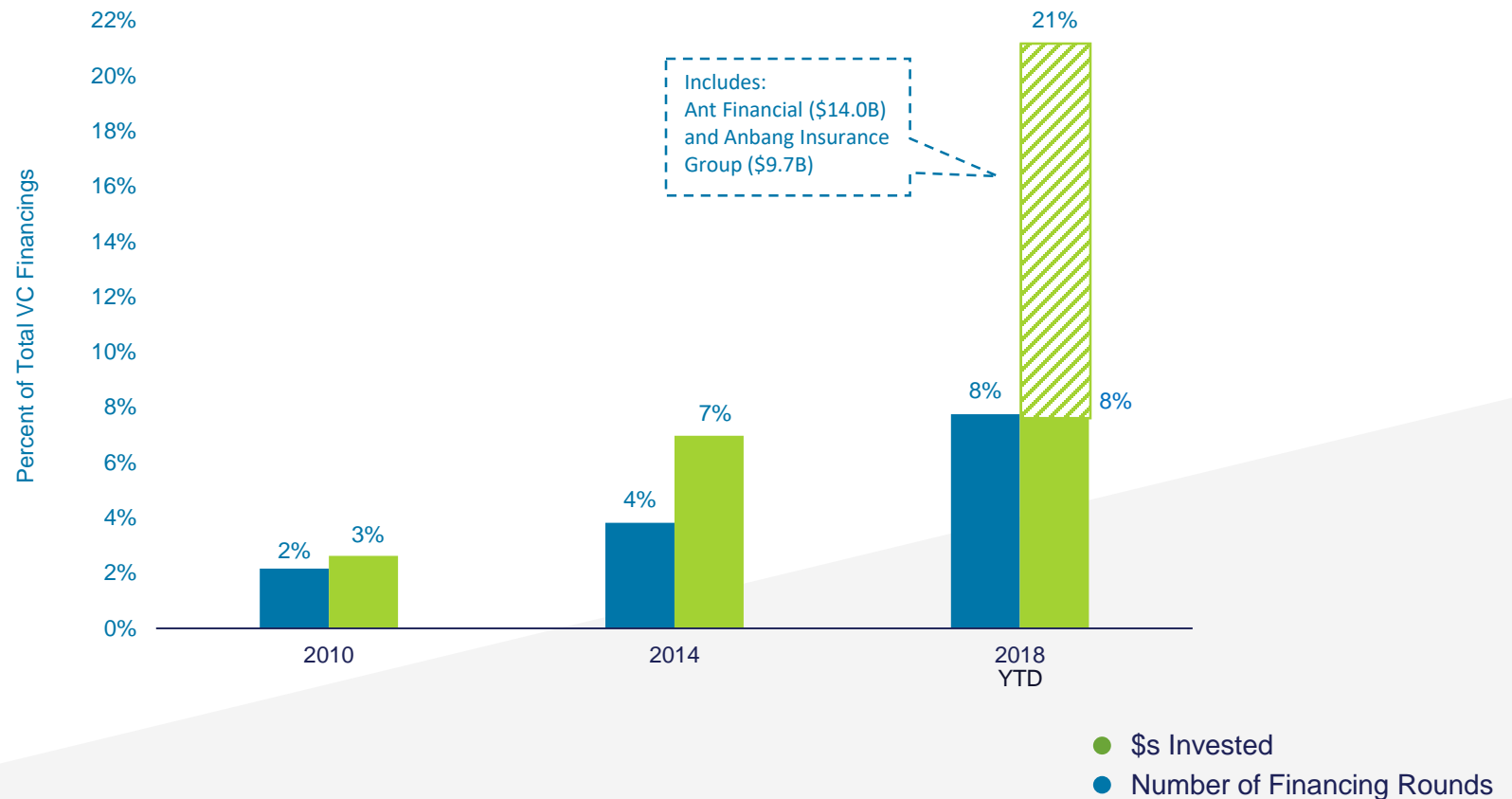


Note: \$ Invested and number of rounds only include deals where the round sizes were publicly available.

Source: PitchBook (9/15/2018)

Deal Analysis II

Fintech was a small portion of the venture capital landscape in 2010, but has become a leading sector in recent years

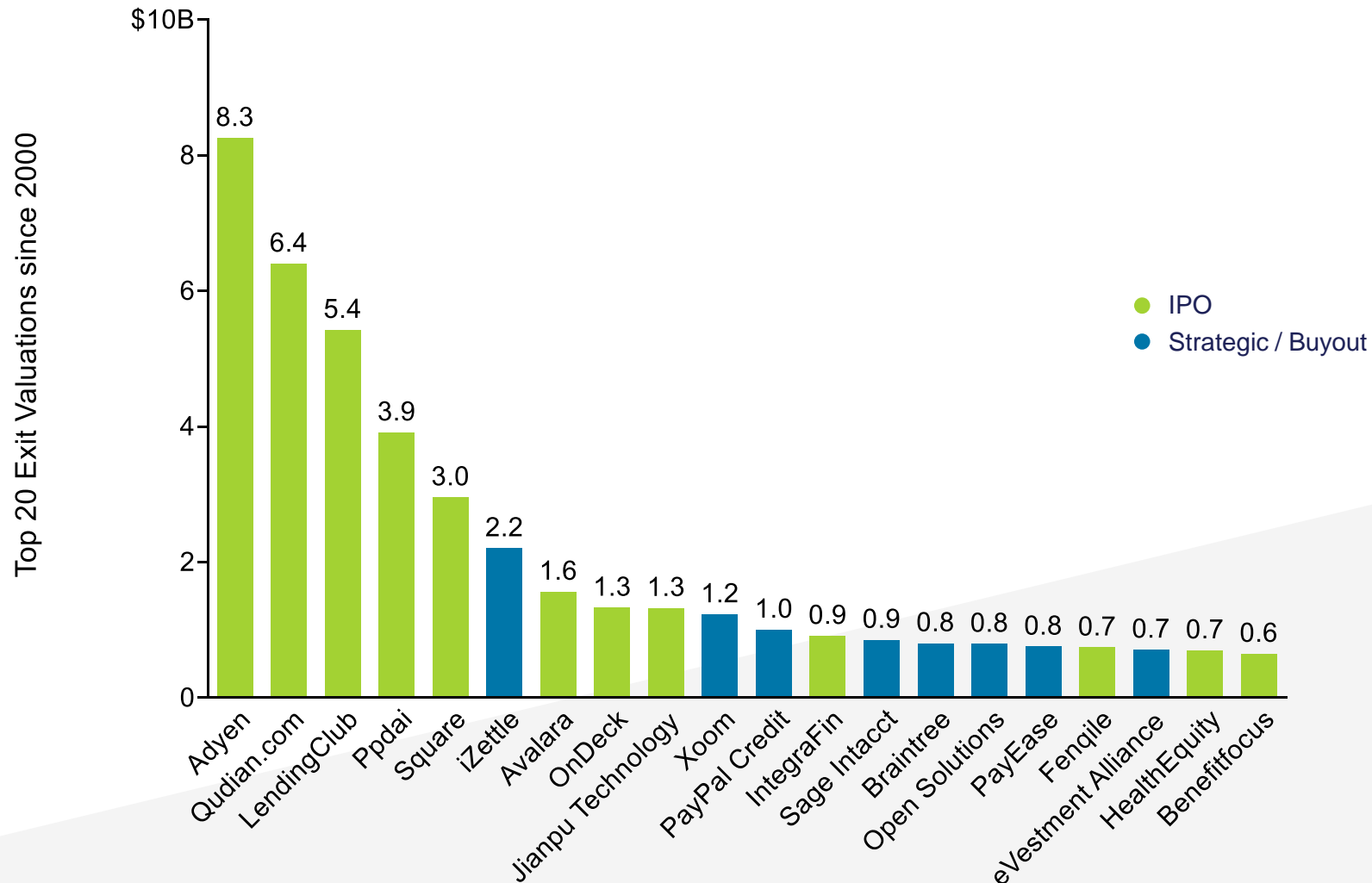


Note: \$ Invested and number of rounds only include deals where the round sizes were publicly available.

Source: PitchBook (9/15/2018)

Exits Analysis I

IPOs represent the top 5 exits since 2000, with strategic exits and buyouts composing less than half of the top 20 exits since 2000

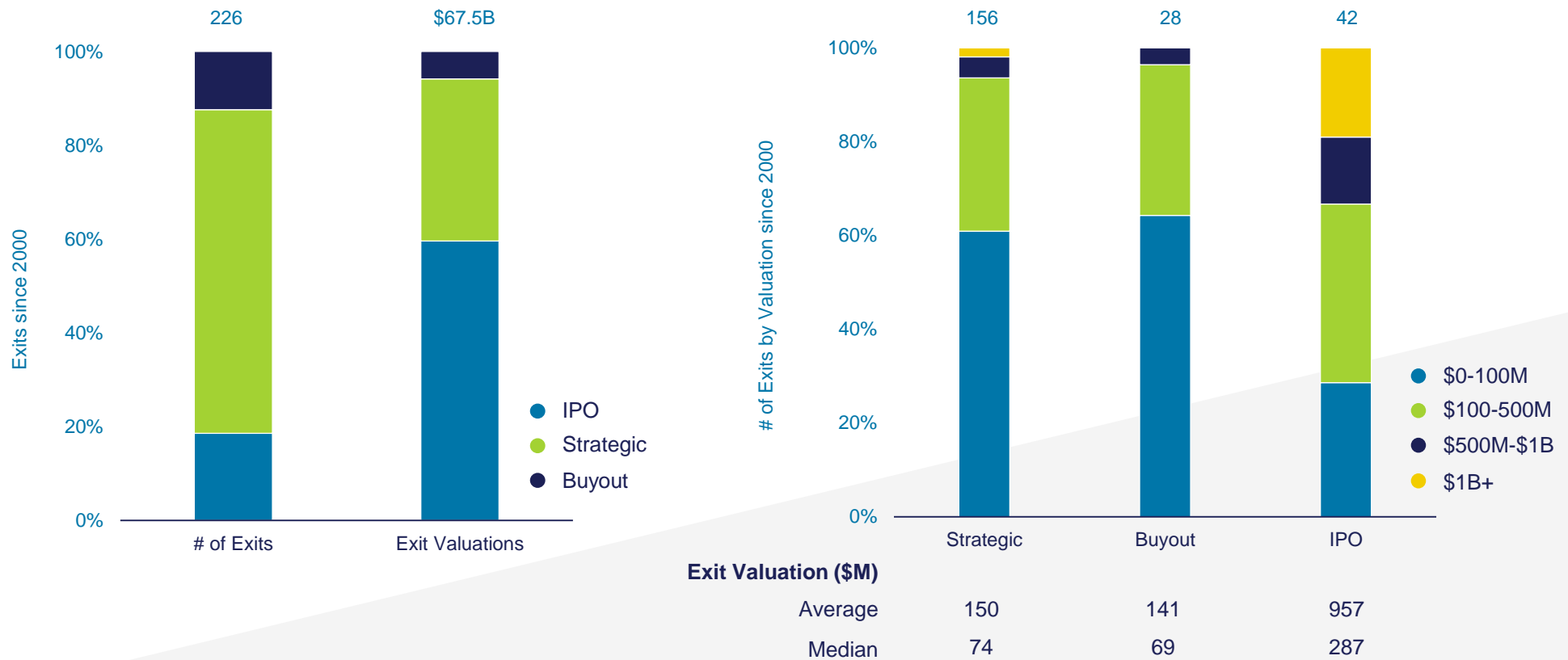


Note: Global exits since 2000 up to Sept 17th 2018; exit valuations for IPOs are the market caps from the day of the IPO

Source: PitchBook

Exits Analysis II

Since 2000 there have been ~8x more strategic exits than IPOs;
 IPO valuations have trumped both strategic exits and buyouts



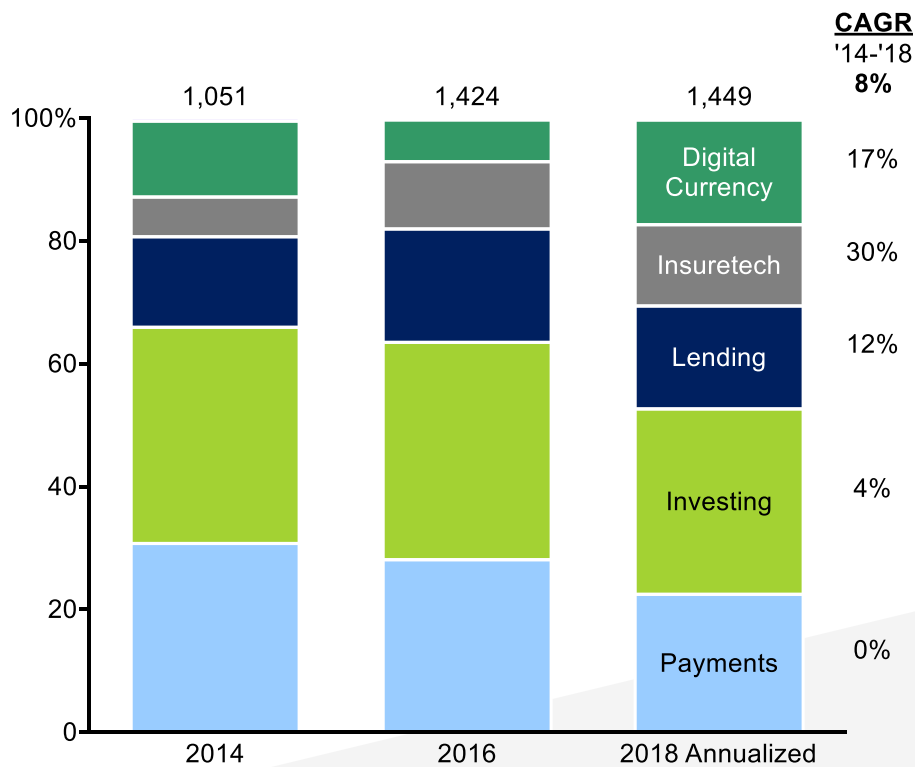
Note: Exit valuations and number of exits (RHS only) only include exits where the valuations were publicly available; exit valuations for IPOs are the market caps from the day of the IPO.

Source: PitchBook (9/15/2018)

Industry Analysis I

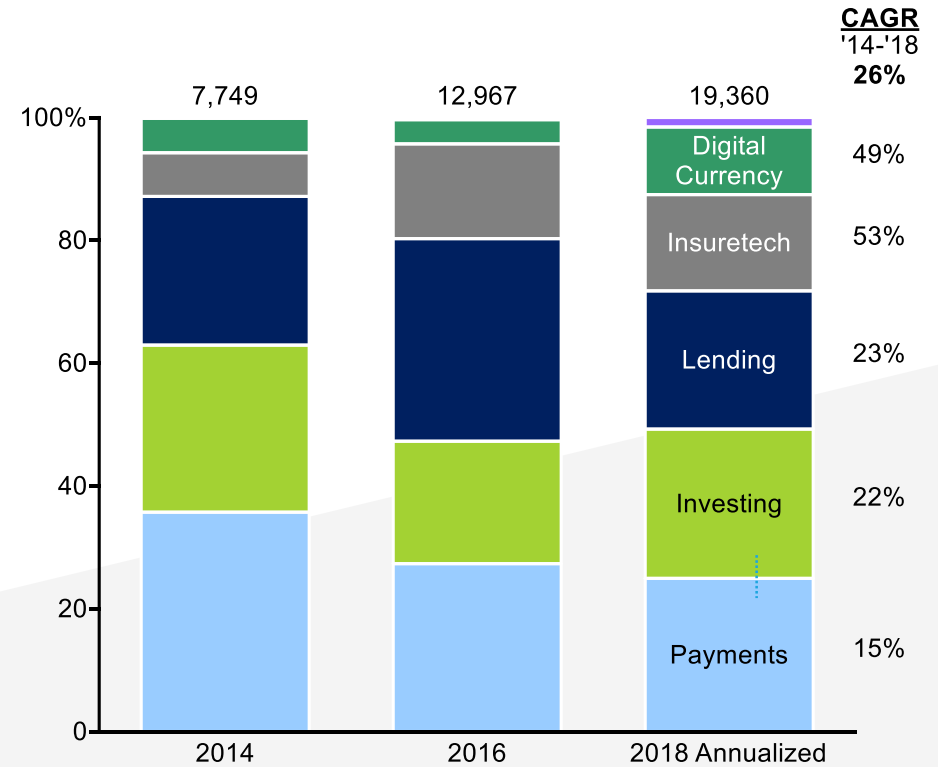
Dollars invested in payments has declined over time, as unicorns have satisfied consumer demand in the space; Insuretech continues to grow rapidly in dollars invested and number of financings

Total Number of Financings



	2014	2016	2018 Annualized
Lending	15%	18%	17%
Payments	31%	28%	22%

Total \$ Invested (\$M)*



	2014	2016	2018 Annualized
Lending	24%	33%	23%
Payments	36%	27%	25%

*Large deals excluded:

2016: 1) Ant Financial (\$4.5B) (B2B Payments) 2) JD Finance (\$1.0B) (B2B Lending)

2018: 1) Ant Financial (\$14.0B) (B2B Payments) 2) Anbang Insurance (\$9.7B) (B2C Insuretech)

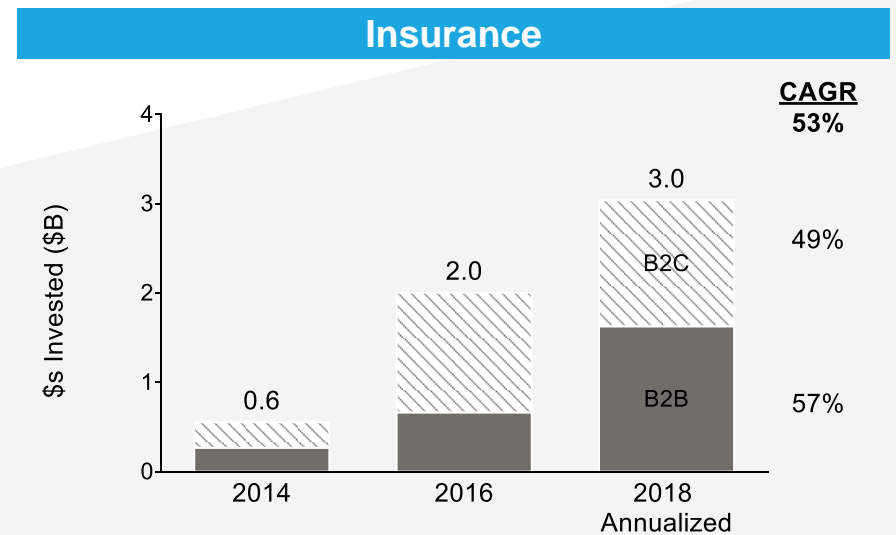
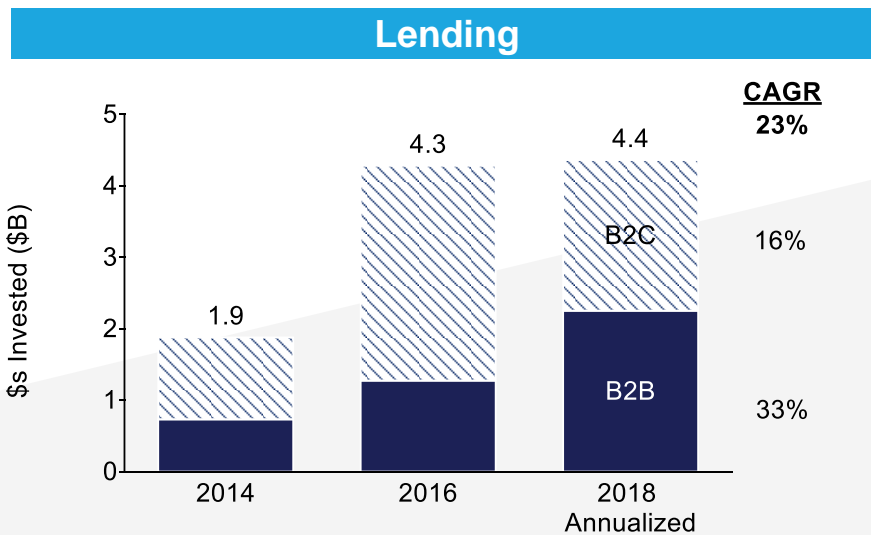
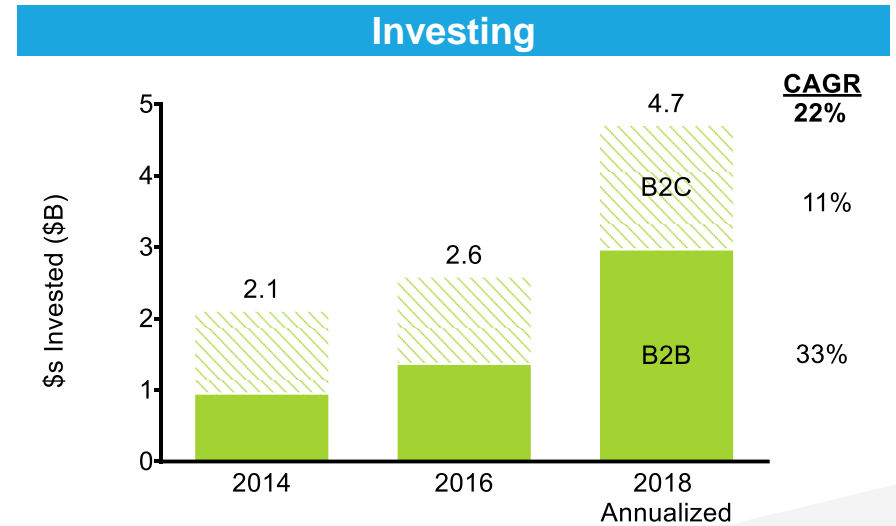
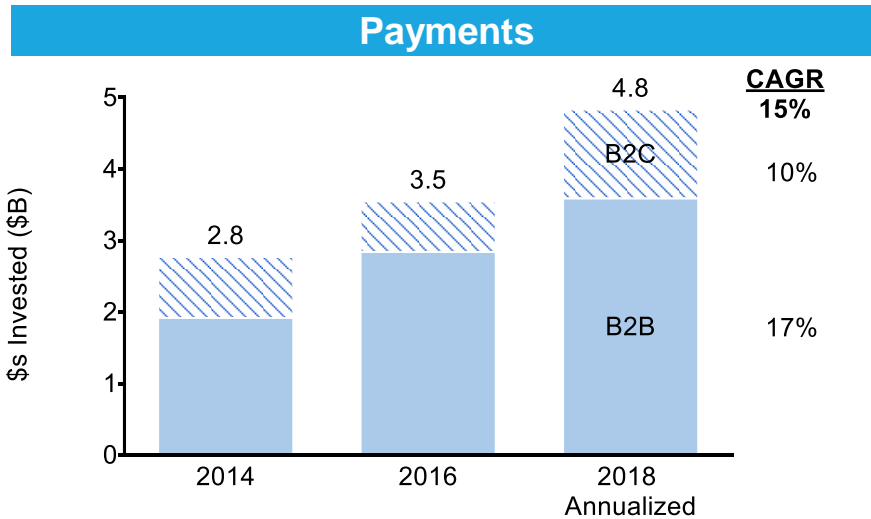
Note: \$ Invested and number of rounds only include deals where the round sizes were publicly available

Source: PitchBook, BCV analysis (9/15/2018)

Industry Analysis II

Funding to both B2B and B2C Insuretech companies have grown phenomenally since 2014, with CAGRs (2014-2018) of 57% and 49%, respectively

 B2C
 B2B




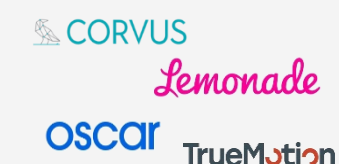


An aerial photograph of a dense city skyline, likely New York City, featuring numerous skyscrapers and buildings. The sky is blue with scattered white clouds. A large white geometric shape, resembling a stylized 'X' or a series of overlapping triangles, is overlaid on the right side of the image, partially obscuring the city view.

Fintech Sub-segment Deep-dive

Fintech Sub-Segment Overview

Fintech can be roughly categorized into 4 sub-segments: Payments, Lending, Investing, and Insurance

Sub-Segment	Description	Examples
Payments	<ul style="list-style-type: none"> Payments processing, card issuers, and subscription billing software tools International money transfer and tracking software 	
Lending	<ul style="list-style-type: none"> Marketplace lending & alternative underwriting platforms 	
Investing	<ul style="list-style-type: none"> Sales & trading, analysis, and infrastructure tools for financial institutions Investment and wealth management platforms and analytics tools 	
Insurance	<ul style="list-style-type: none"> Companies selling insurance digitally or providing data analytics and software for insurers / reinsurers 	

Fintech Sub-segment Trends

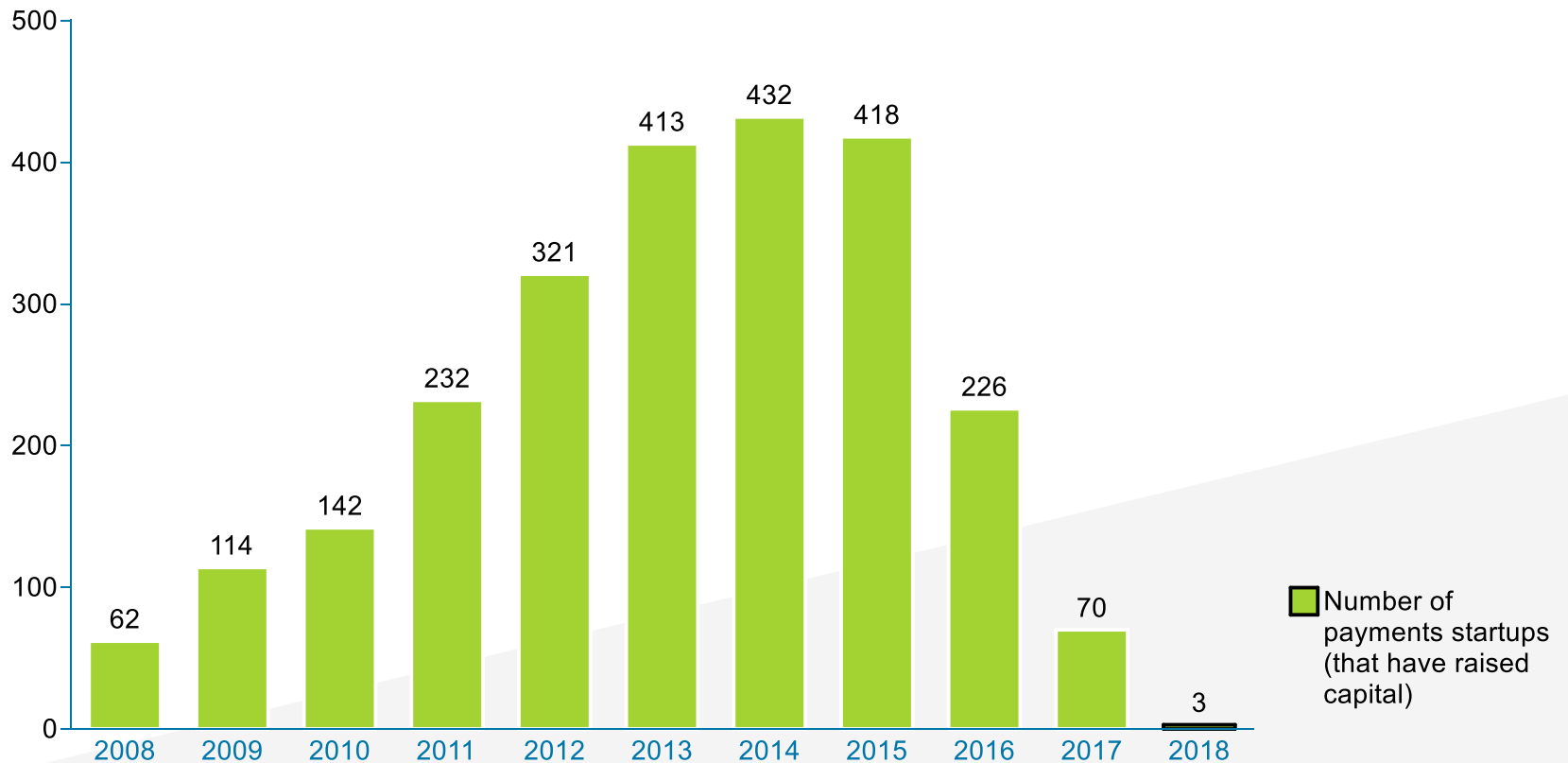
While fintech investment figures are up in aggregate, it is crucial to understand the trends at the sub-segment level

Sub-Segment	Trends
Payments	1 Startup activity continues to decline as unicorns have solved many of the larger problems
	2 Dynamic activity vertical by vertical with hybrid software payments players
	3 Cross-border payment technology continues to take share from incumbent banks
Lending	4 Investment in alternative lending startups is rapidly declining
	5 Public markets have spoken, and lending companies should never have been valued as technology companies
	6 Tech startups could potentially disrupt point-of-sale lending
Investing	7 Active management is under siege
	8 Investors are bypassing fund managers and investing directly
	9 Fintechs are becoming the clients' primary financial partner
	10 Technology (AI, ML) is transforming the way institutional investors operate
Insurance	11 Majority of insuretechs are catering to personal lines, with emphasis on distribution
	12 Advanced analytics, machine learning, and IoT are causing the most disruption across the insurance value chain
	13 Insuretechs are split between point solutions and full-stack insurers

Payments startup activity

The number of payment startups founded per year has starkly declined over time; In 2013, 413 payments companies were founded vs. 70 companies in 2016 (83% decline)

Companies founded by year



Note: Only includes companies that have raised capital; 170 payments startups with no founding year

Source: PitchBook, BCV analysis (9/15/2018)

Vertical payments players

The industry continues to recognize the value of an integrated, vertical payments strategy

Higher Education

Fitness

Healthcare

Food Service

 flywire

 MINDBODY®

 emdeon®

 toast

Higher ne®

 ACTIVE
network™

 InstaMed®
Healthcare Payments Simplified

 TouchBistro®

 Alegeus

The broader payments market is focused on acquiring vertical payments solutions bundled with software to increase customer retention

Cross-Border Payments

Cross-border payment technology continues to take share from incumbent banks

Representative Companies



Implications

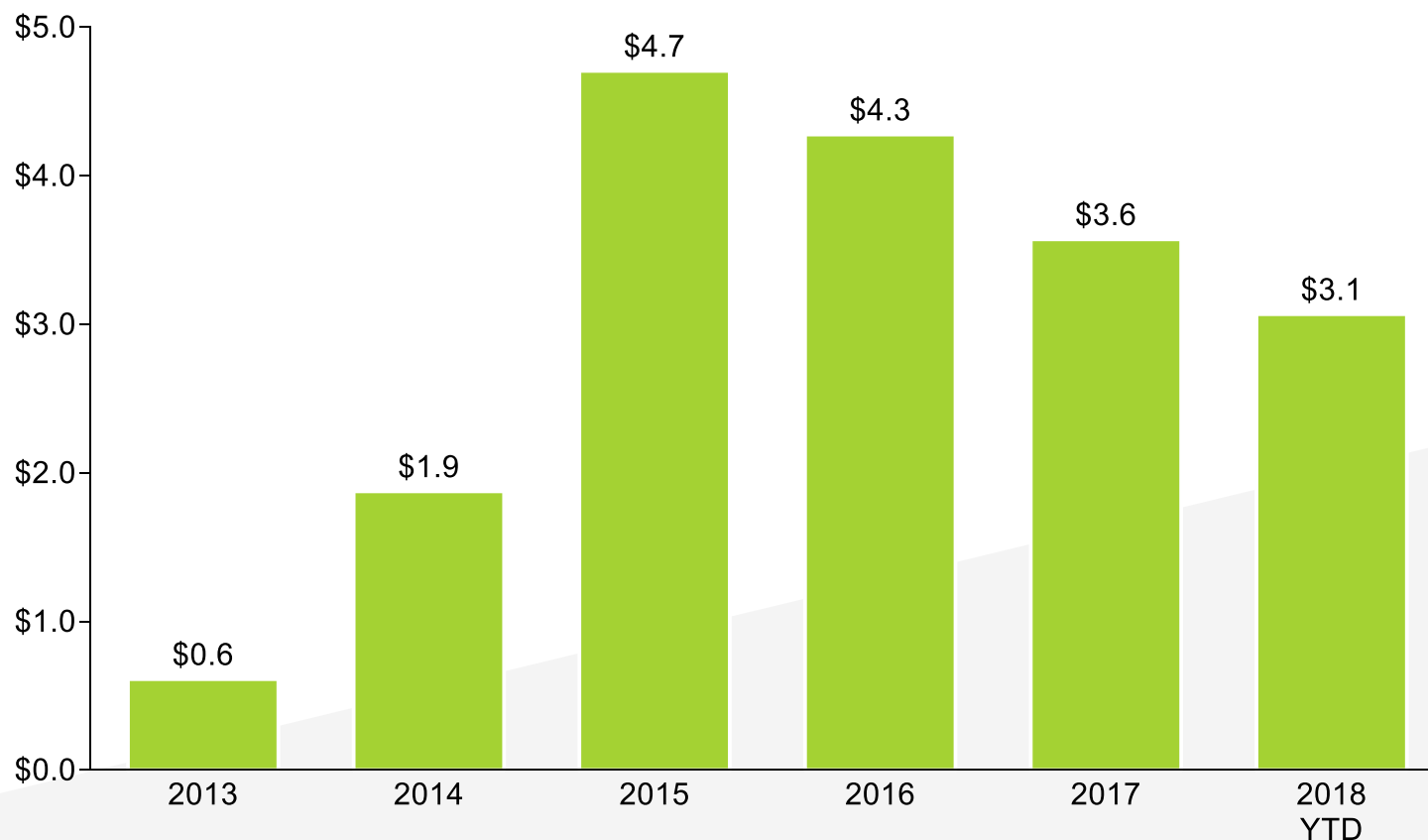
- Traditional unbanked remitters adopting online/mobile load mechanisms
- Higher end remitters (wage, property, education) moving off bank channels to low cost alternatives
- Technology-based competition emerging to international wires
- Infrastructure options emerging for innovators to build on

SOURCE: McKinsey Global Payments Map; Worldpay Global Payments Report; Nielsen (for cross-border)

Lending startup funding

Investment in alternate lending startups is on pace for a new low in 2018, with only \$3.1B of funding in 2018 YTD

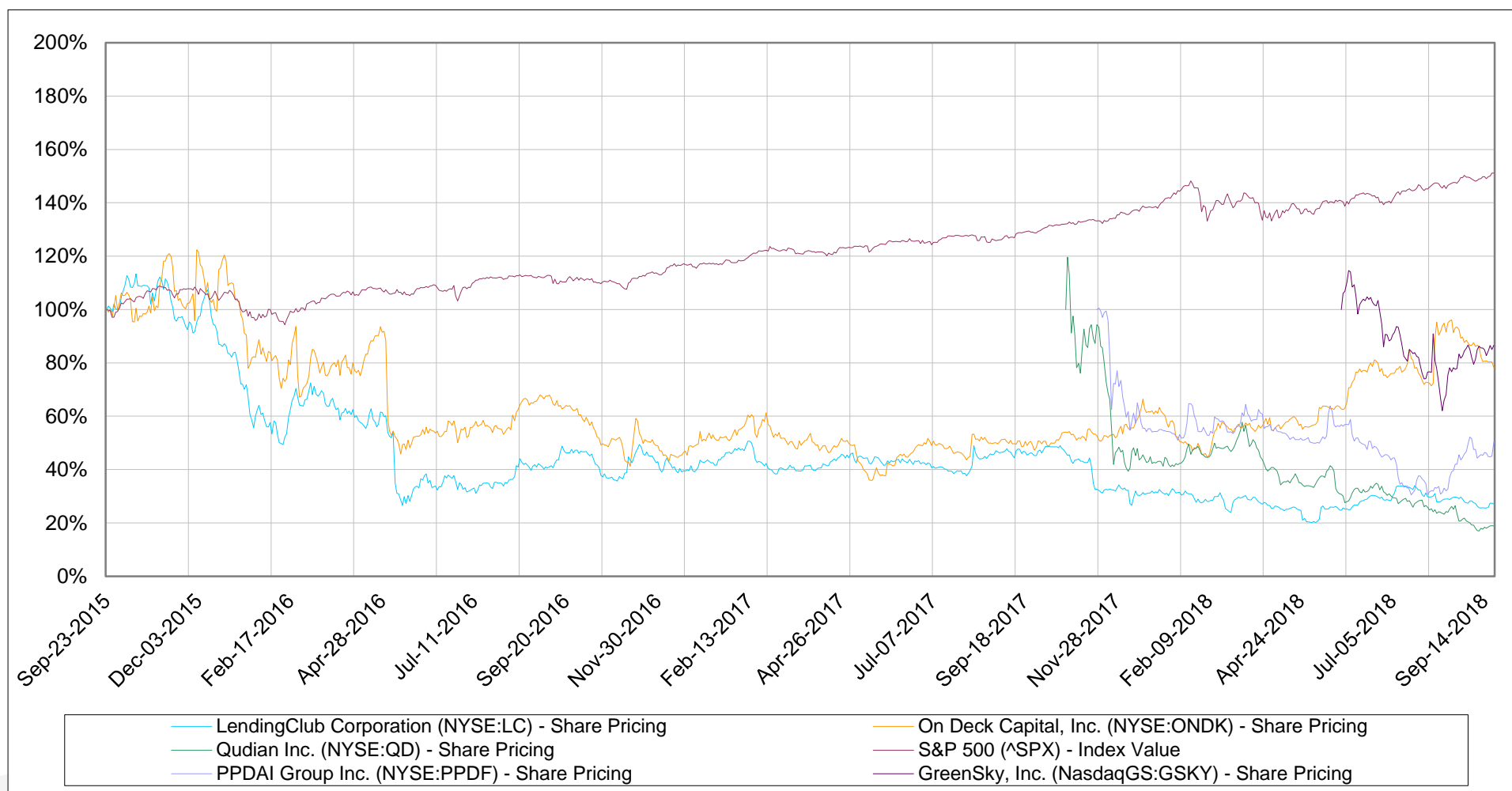
Global alternative lending VC-backed financing trends, 2013 – 2018 (\$B)



Source: PitchBook, BCV analysis (9/15/2018)

Lending companies in public markets

Public markets have spoken, and lending companies should never have been valued as technology companies



SOURCE: S&P CapIQ (9/15/2018)

Point-of-sale lending

Tech startups could potentially disrupt point-of-sale lending

Representative Companies



Implications

- From the merchant’s perspective, customer experience and approval rates are two of the most important decision criteria. Startups tend to excel at the former and face an uphill battle with the latter
- Different business models have emerged and they vary on the following dimensions:
 - B2B vs. B2C
 - Omnichannel vs. online only
 - White label vs. branded
 - Prominence in the customer experience
 - Balance sheet vs. marketplace
 - Credit type
 - Credit range

SOURCE: CB Insights

Evolution of active management

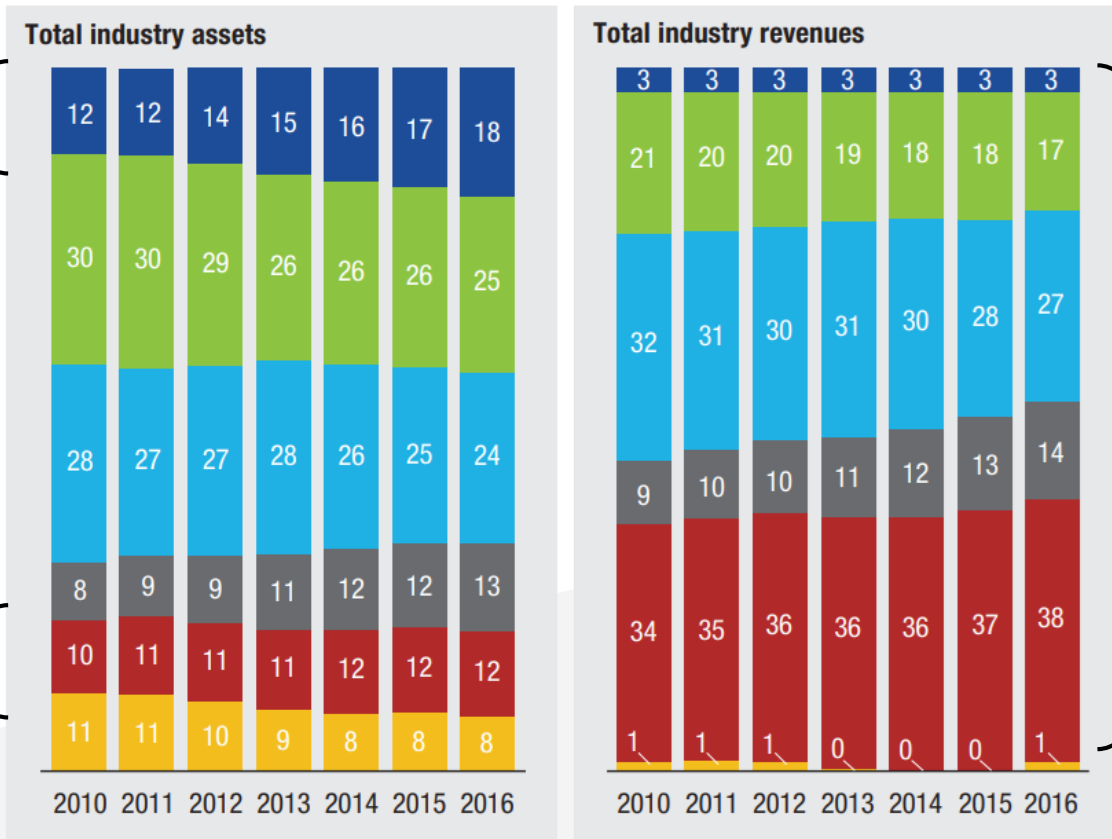
Robo-advisors continue to exert downward pressure on industry fees, spurring the birth of the 'barbell' portfolio

North America assets and revenues, 2010-16
Percent

- Passive
- Active core
- Active specialists
- Multi-asset
- Alternatives
- Money market

Growth in low fee, beta-oriented strategies (e.g., ETFs) that track market return

Growth in alternative assets driven by alpha-seekers (e.g., venture capital, hedge funds, commercial real estate and private equity)



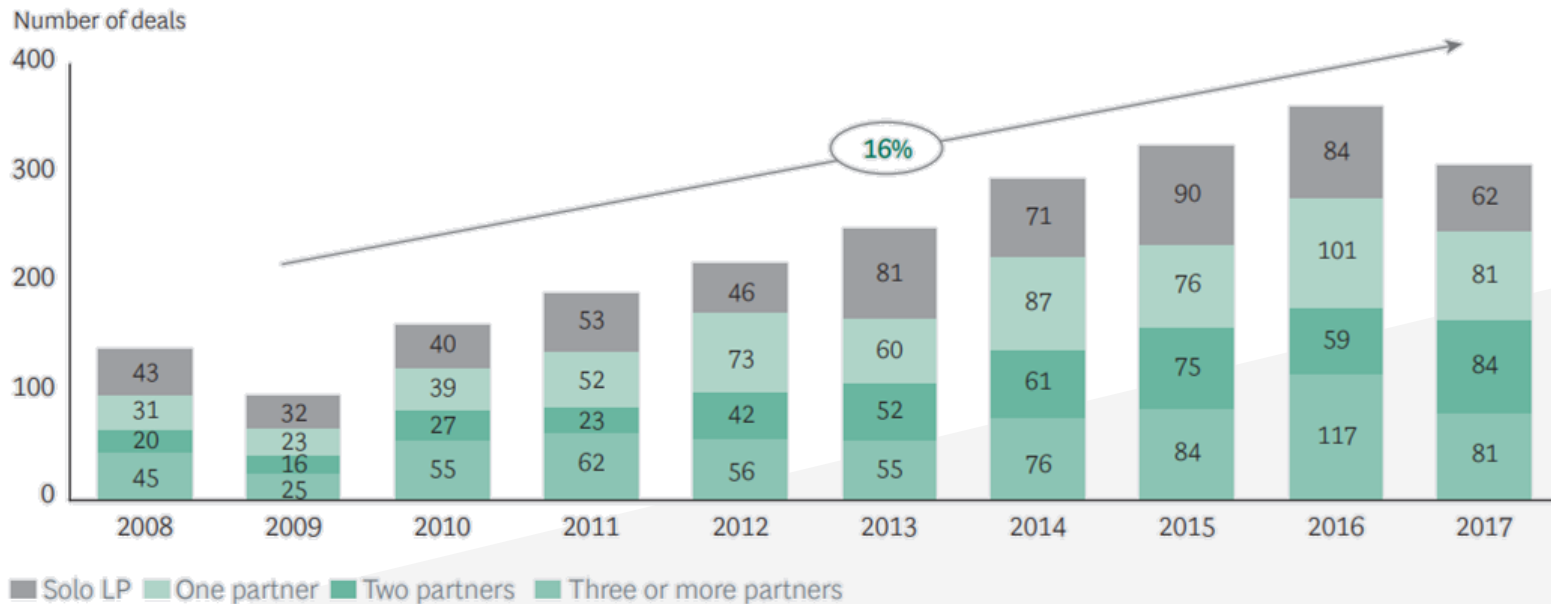
Monetization as a % of AUM is radically different (Passive: 18% AUM, but 3% revenue; Alternatives: 12% AUM, but 38% revenue)

SOURCE: 2016 McKinsey Performance Lens Global Asset Management Survey and Global Growth Cube

Institutions investing directly

Big investors have an appetite to bypass fund managers to forgo both external manager fees and potential information inefficiencies

EXHIBIT 1 | Direct Investing by LPs Grew from 2009 to 2017



Source: PitchBook.

Note: Includes all completed buyout types (including add-ons).

Fintechs as the primary financial partner

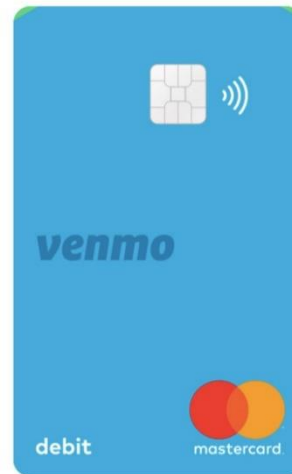
Fintech business lines are blurring as bank accounts become the new battleground

Acorns



- 'Acorns Save' is launching November 1st, 2018
- Received 10k pre-orders for payment card / debit account in its first four hours
- Card users get a bundle of the card, Acorns, and the Acorns later account for \$3 per month.

Venmo



- Launched in beta in late June 2018
- Offers customers option to 'Turn on Reloads' to transfer money from their linked funding source for purchases that their Venmo balance may not cover
- No monthly / application fees; \$2.50 ATM fee for withdrawing cash and \$3 for over-the-counter withdrawals at banks

SoFi



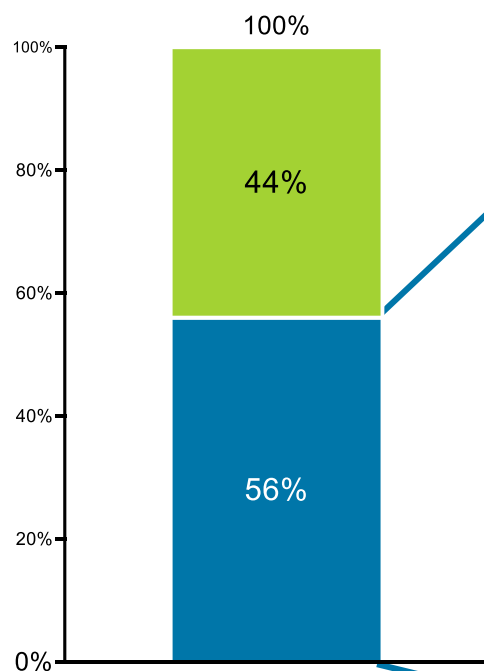
- Launched SoFi Money, a hybrid between a checking and savings account, in January 2018
- Earns 1% APY interest for customer
- Doesn't charge account fees, account minimum fees, overdraft fees, or foreign transaction fees

SOURCE: Company websites

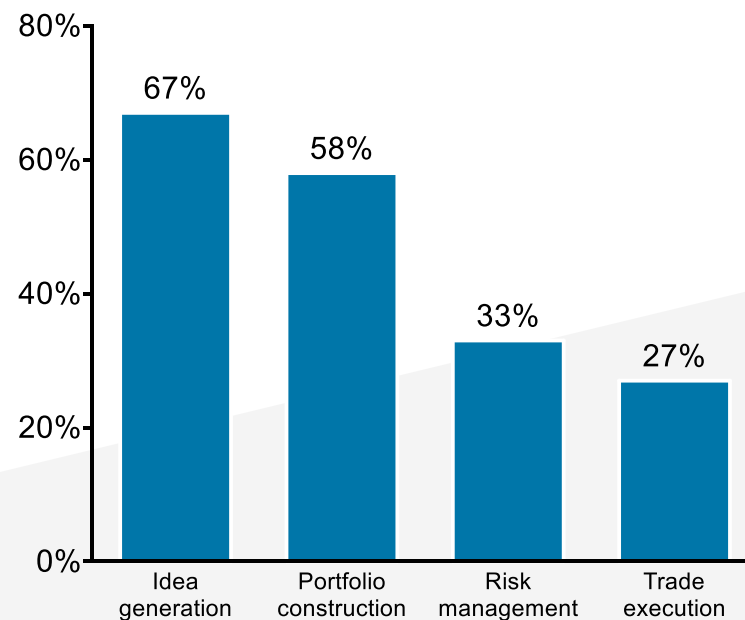
Technology in institutional investing

Hedge funds are increasingly leveraging artificial intelligence and machine learning, but are not turning everything over to algorithms just yet

% Hedge Funds that use AI/ML vs. don't



How AI/ML is being used among Hedge Fund users



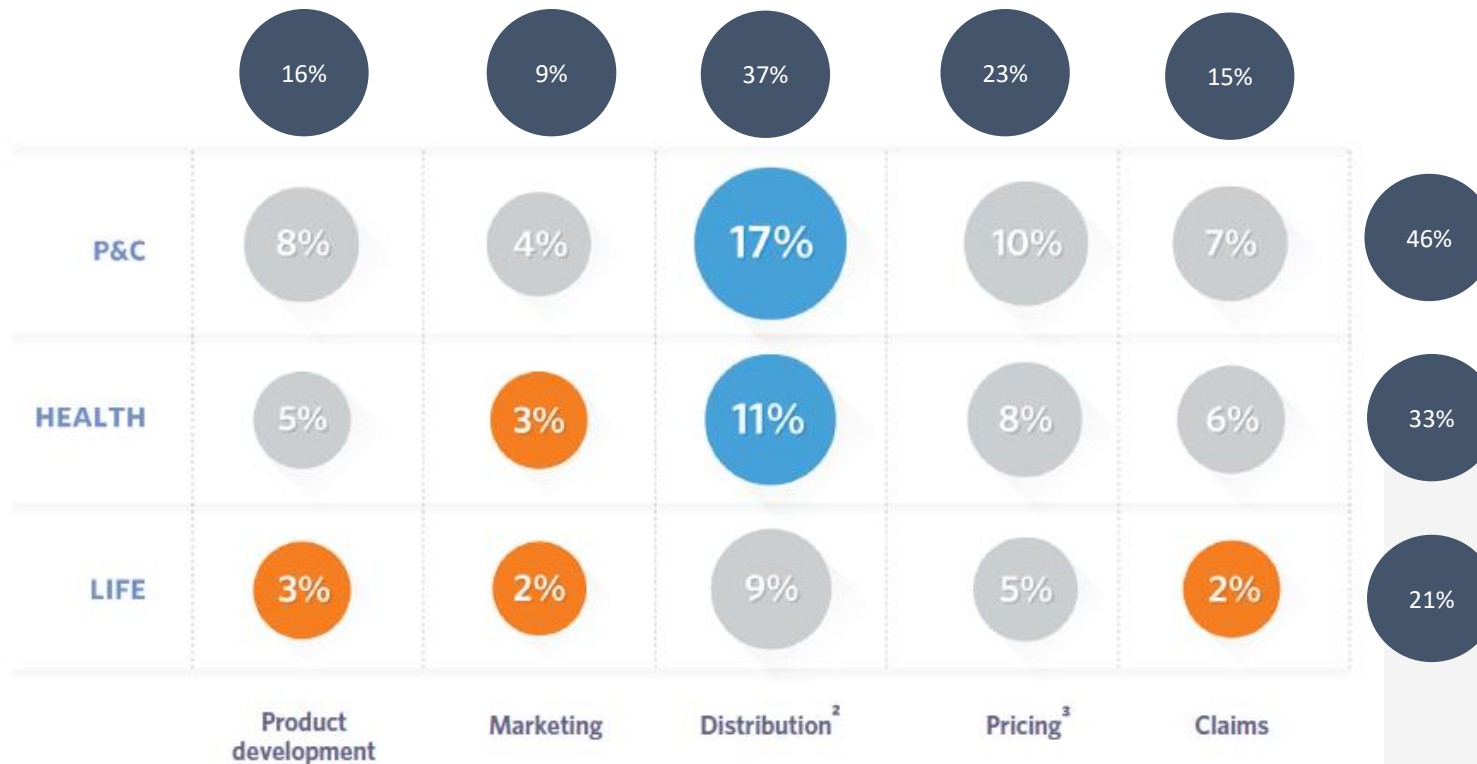
- % Hedge Funds that don't use AI/ML
- % Hedge Funds that use AI/ML

SOURCE: Institutional Investor

Emphasis on distribution

Insurtechs have emerged across the value chain and lines of business, with a concentration on distribution

Number of Innovations as % of Total in McKinsey Insurtech Database¹



¹ ~500 commercially most well-known cases registered in the database (excluding wealth management-related innovations); ² Includes sales; ³ Includes underwriting and policy issuance

Source: McKinsey Panorama Insurtech Database

Share of innovations in Insurtech database

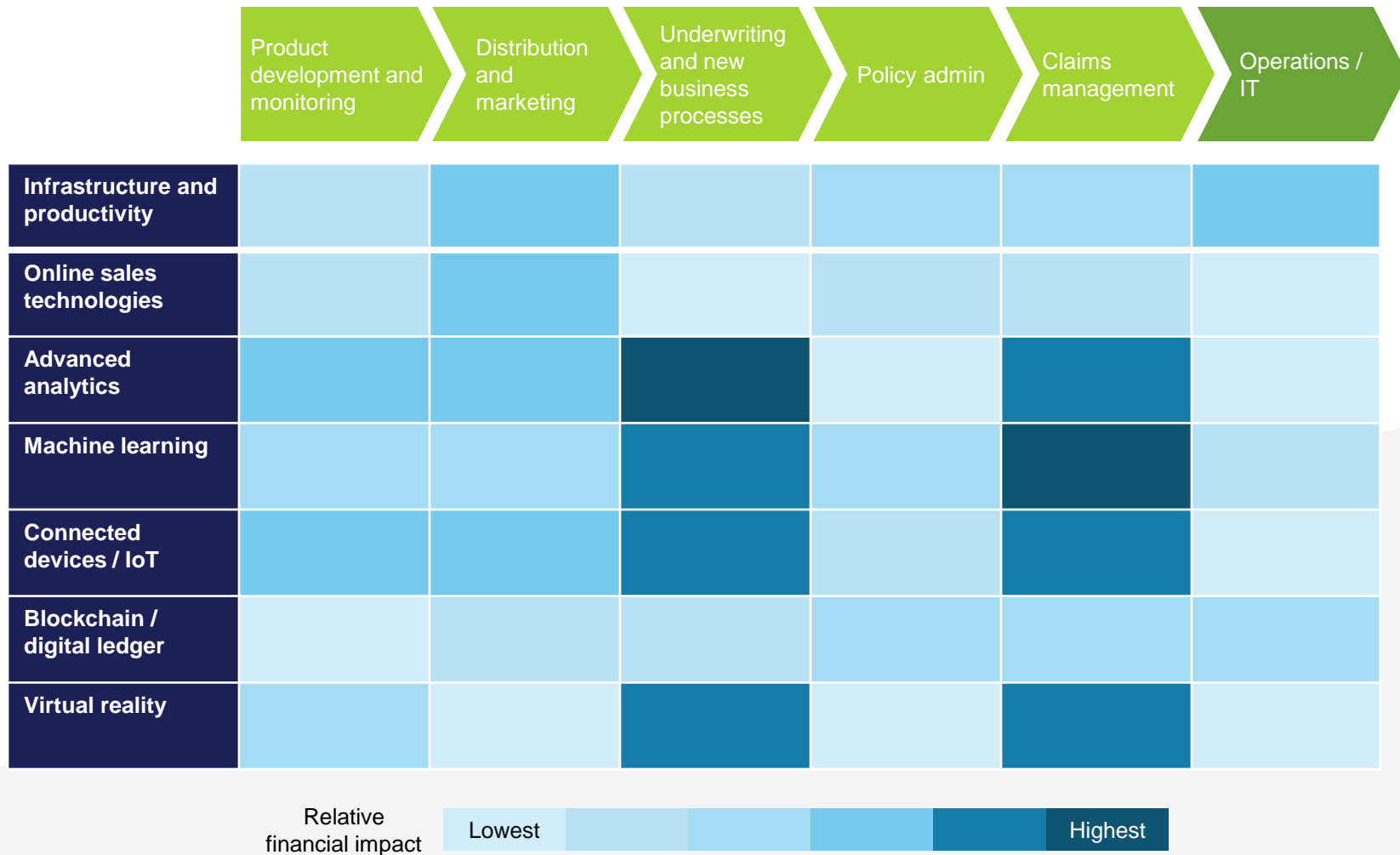
● <4% ● 4%-10% ● >10%

Source: McKinsey ("Insurtech—the threat that inspires", March 2017)

Insurtechs' Tech Focus I

Technology is having a notable impact across the insurance value chain, with advanced analytics, machine learning, and IoT causing the most disruption

Financial Impact of Seven Technologies on a Prototypical German Insurer over Five Years



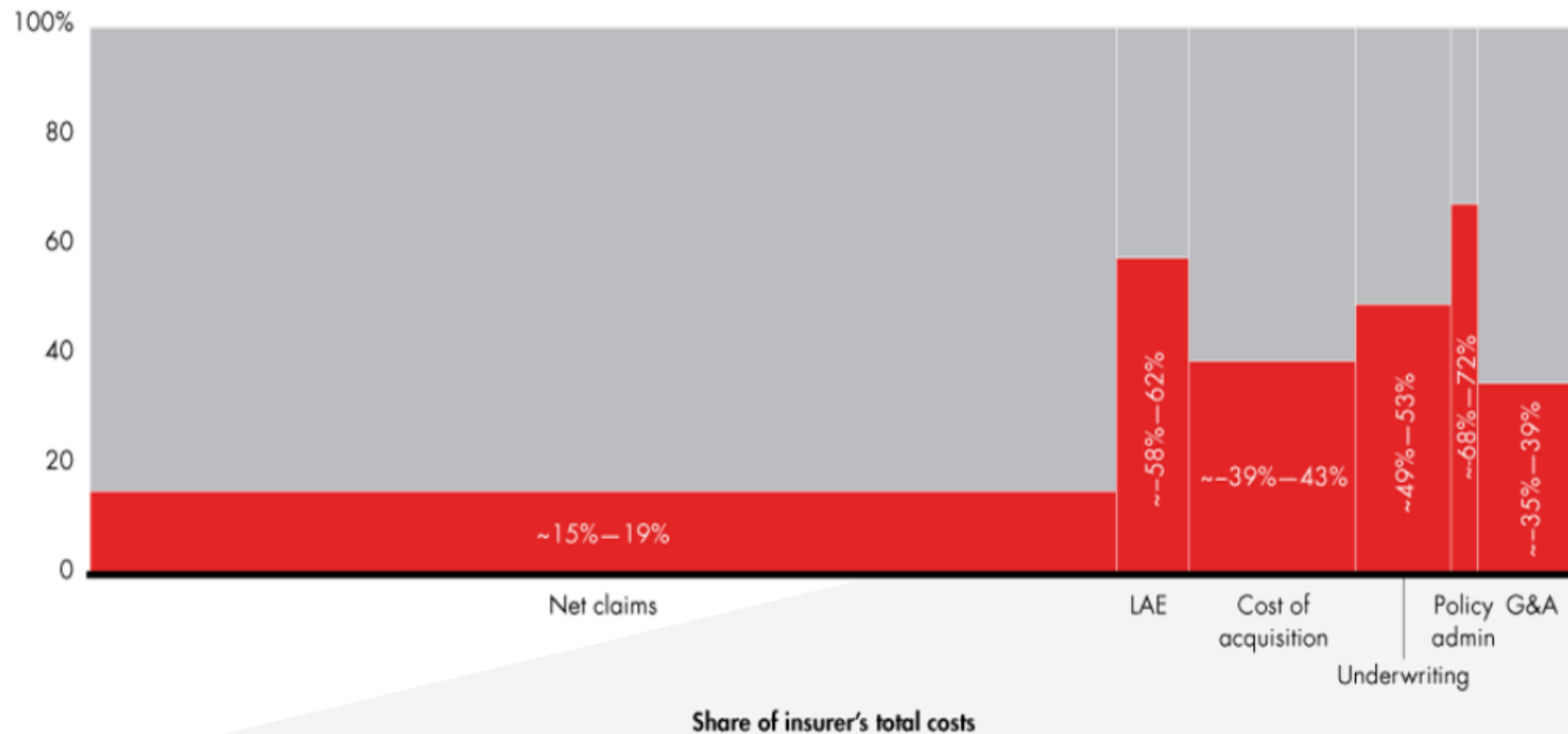
Note: Heat map shows the maximum impact on revenue and cost for each technology in each business area, assuming a typical P&L structure

Source: Bain & Co. & Google ("Digitalization in Insurance: The Multibillion Dollar Opportunity", March 2017)

Insurtechs' Tech Focus II

The increasing technology focus in insurance will translate to cost savings for insurance carriers

Cost Potential Addressable by Digitalization over Five-year Period



Note: Loss adjustment expense

Source: Bain & Co. & Google ("Digitalization in Insurance: The Multibillion Dollar Opportunity", March 2017)

Point solutions vs. full-stack insurers

Insurance startups are diverging in the role they intend to play (MGA vs. Full-stack), with costs and benefits associated with each

Point solutions (start-ups as the MGA)



Full-stack insurers



Product

- + Products built in collaboration with carrier (involved in pricing & underwriting rules)
- Innovation and speed depending on commitment and capability of risk carrier

- + Full control of insurance terms, pricing, and underwriting
- Full responsibility for regulatory compliance

Customer Relationship

- + Usually full control over customer facing activities
- + Visible role of risk carrier (as trust signal for customers)

- + Full control over customer facing activities

Economics

- + Capital efficiency – limited setup costs, quick monetization, lean team (leveraging risk carrier's resources)
- Profit pool shared with risk carrier

- + Access to full profit pool
- High setup costs and significant amount of trapped (regulatory) capital



Applying the Fintech lens to other verticals

Fintech Framework – Real Estate

We can apply the four-quadrant fintech lens to Real Estate

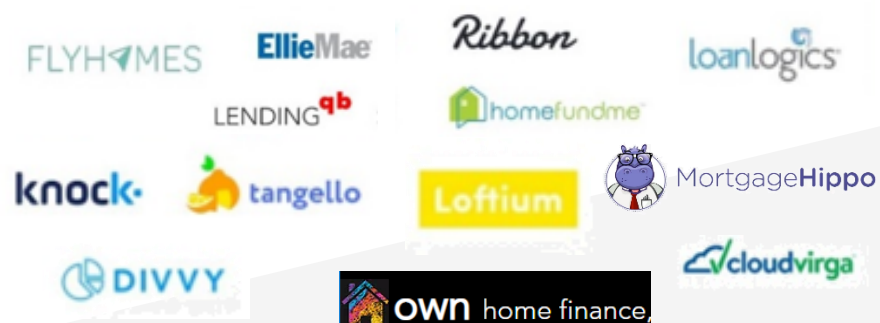
Payments



Investing



Lending



Insurance



Fintech Framework – Cryptocurrency

We can apply the four-quadrant fintech lens to Cryptocurrency

Payments

ChangeTip humaniq Coinify
CIRCLE UTRUST colu. BOLD GO COIN
ABRA bitpay BitPesa Bitwala

Investing

EQUI BASIS bitFlyer Compound Omniex
bitwised coinbase coinhouse
COINLIST SFOX

Lending

ETHLend coinloan SALT BlockFi BTCjam

Insurance

BitGo B3i ETHERISC DECENTRALIZED INSURANCE
Nexus Mutual

Note: TechCrunch,

Fintech Framework – Healthcare


We can apply the four-quadrant fintech lens to Healthcare

Payments



flywire HealthExpense Cedar
Simplee MEND OODA HEALTH PATIENTCO

Investing



Lending



DentalLoans.com medZERO
MedPut LendingClub PATIENT SOLUTIONS
CareCredit Lendeavor

Insurance



Lively FITSENSE Oscar bright HEALTH
DevotedHealth CENTIVO
Clover Stride HEALTH

Note: TechCrunch,

Fintech Framework – Travel

We can apply the four-quadrant fintech lens to Healthcare

Payments



Investing



Lending



Insurance

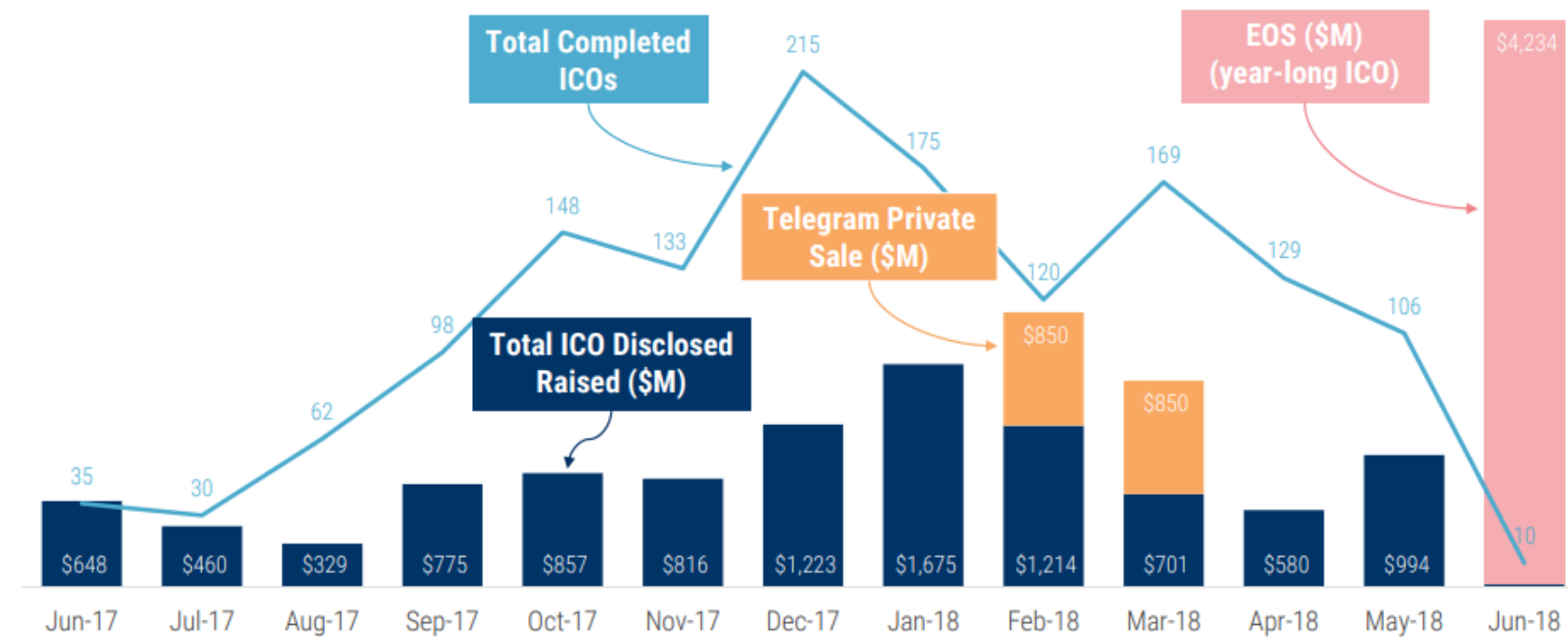


Note: TechCrunch,

APPENDIX

Pure-Play ICO funding

Pure-play ICOs continue to lose funding momentum, with only 10 ICOs completed in June of 2018, down from a peak of 215 in December 2017



VC-backed blockchain

Pure-play ICOs continue to lose funding momentum, with only 10 ICOs completed in June of 2018, down from a peak of 215 in December 2017

Blockchain fintech hits 5-quarter high in Q2'18

Global VC-backed blockchain fintech financing trends, Q2'17 – Q2'18, (\$M)

