



EY European ESG FinTech Landscaping

October 2022

Foreword

Since we conducted the initial EY FinTech landscaping in 2016 the dynamic, relevance, and adoption of FinTechs have evolved significantly from niche to mainstream. Now in 2022, the same applies to ESG FinTechs as a sub-set – having been underrepresented over years, their time seems to be now and beyond.

We have identified around 300 active ESG FinTechs across Europe of which nearly 50% were founded within the last three years. In 2022 alone, more than \$641 m has been invested so far, after \$844 m in 2021. This showcases the momentum the industry faces.

Taking a closer look at the business models reveals the vital role FinTechs play in the sustainable transformation as they enable incumbents and clients:

- ESG-related support functions, especially ESG data provision and analysis as well as carbon offsetting represent about 50% of identified companies.
- ESG-investment offerings, especially investment/wealth management solutions and ESG-related project funding represent around 30%.

In line with green transformation as a “hot topic”, we identified that 75% of the companies offer “Environmental”-related products and services followed by “Social” (58%) and “Governance” (35%).

We also observed a significant number of FinTechs which started with a non-ESG focus but added ESG products and services to their offering (e.g. Neobanks with the introduction of green accounts).

Without surprise, we identified London, Berlin, and Paris as key ESG FinTech Hubs – followed by Stockholm and Milan.

We hope to provide valuable insights into a dynamically emerging FinTech sector. Enjoy the reading.

Christopher Schmitz

Partner, EY Parthenon
EMEIA FinTech Lead

WANT TO KNOW MORE?

Listen also to our podcasts **EY FinTech Beyond Borders** (English) and **EY FinTech and bEYond** (German)



Our definition of an ESG FinTech, focus and limitations of this study

There is no unified definition as to what constitutes an ESG FinTech, i.e. to what extent a business model needs to include Financial Services, Technology, and ESG at the same time to count. Therefore we set our own wider definition with a focus on FinTech players which play a recognizable role in the ESG ecosystem. We believe this approach allows a comprehensive view of the European ESG FinTech landscape.

Criteria “ESG FinTech”

Our ESG FinTech landscape comprises only those companies, to which the following criteria apply:

- ✓ **Financial services offering or enablement** of other financial services players
- ✓ **Technology-enabled** value proposition
- ✓ **Positive impact** on Environmental, Social and/or Governance aspects (at least one substantial ESG product/service offering)¹
- ✓ **Foundation in 2010** or later²
- ✓ **Employee count < 1,000**

Out of Scope

- **Subsidiaries/business units** of corporates
- **Acquired FinTechs** without retained brand and legal entity
- **Inactive/bankrupt** companies
- **Business models with a clear focus on non-financial services** players (e.g. supply chain carbon optimization for the manufacturing industry)

Geography

Organizations registered in the following countries:

- Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Luxembourg, Norway, Portugal, Spain, Sweden, Switzerland, The Netherlands, United Kingdom

Datasource & funding size methodology

- We used the **EY Embryonic³ platform as the primary source** for investments in FinTechs and public data for details on companies
- The funding figures considered include **only equity-linked financing** (cut-off September 2022). In cases investment data was not available we assumed no investment
- **We used an average approach to determine the total number of employees** if information was provided in bandwidths
- **The ESG FinTech landscape is characterized by frequent changes and limited data.** As a result, we cannot guarantee the completeness of this study
- **Funding amounts not reported in USD were converted** with an FX rate of 1.02 (EUR), 0.90 (GBP)

¹Edge cases were discussed and decided by a designated EY jury ²Organizations with a strong combination of above stated criteria but foundation between 2000 and later were included as well ³EY Embryonic is a powerful, cloud-based platform that maps the flow of funds and M&A transactions, and visualizes the relationships between traditional and innovative companies.

Being underrepresented over years the time of ESG FinTechs seems to be now and beyond...

ESG FinTech Hubs by cities

Top 5 by number of companies

| City | ESG FinTechs |
|-----------|--------------|
| London | 55 |
| Berlin | 20 |
| Paris | 19 |
| Stockholm | 14 |
| Milan | 11 |

ESG FinTech Hubs by countries

Top 5 by number of companies

| Country | ESG FinTechs |
|----------------|--------------|
| United Kingdom | 63 |
| Germany | 53 |
| France | 28 |
| Italy | 23 |
| Switzerland | 19 |



291 ESG FinTechs
according to EY criteria

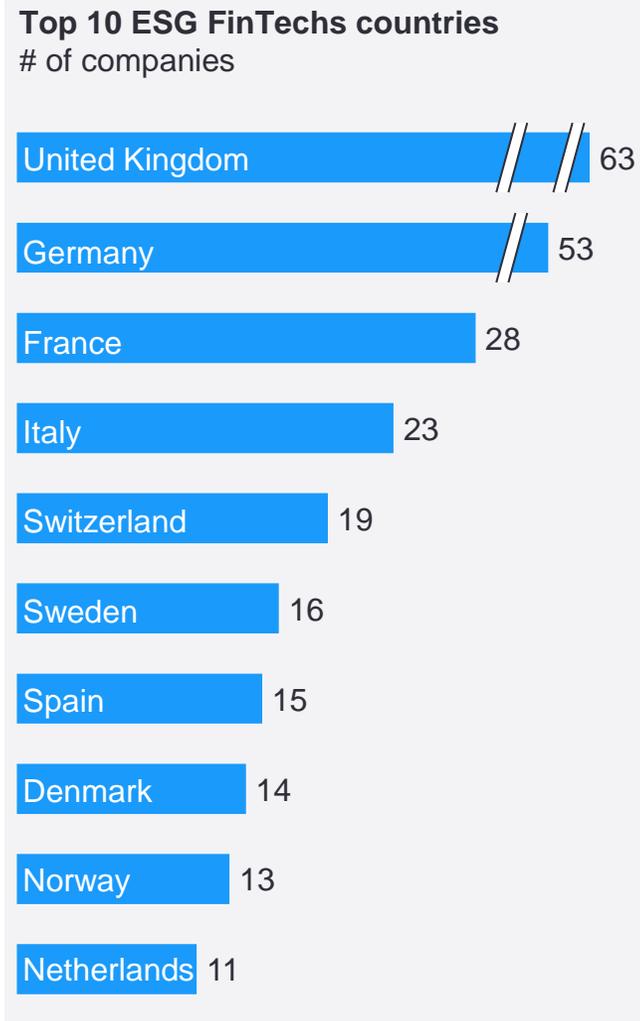
~ **\$641 m Funding 2022**
disclosed until mid 9/2022

~ **\$844 m Funding 2021**
full year

~ **9,500+ Employees**
as of 9/2022

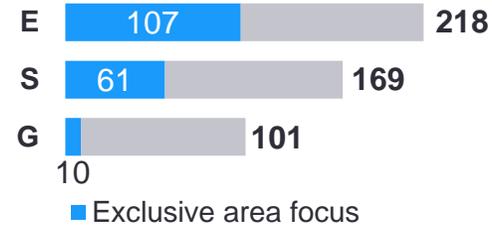
198 founded since 2016
operating as of 9/2022

... 2021 marked the all-time high in equity investments and number of ESG FinTechs



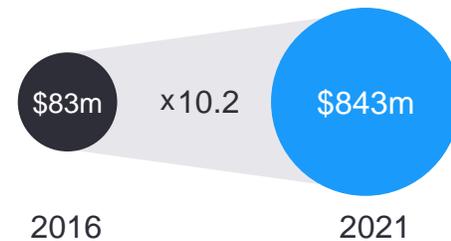
Focus areas of ESG FinTechs

of companies



Comparison of new funding volume

2016 vs 2021

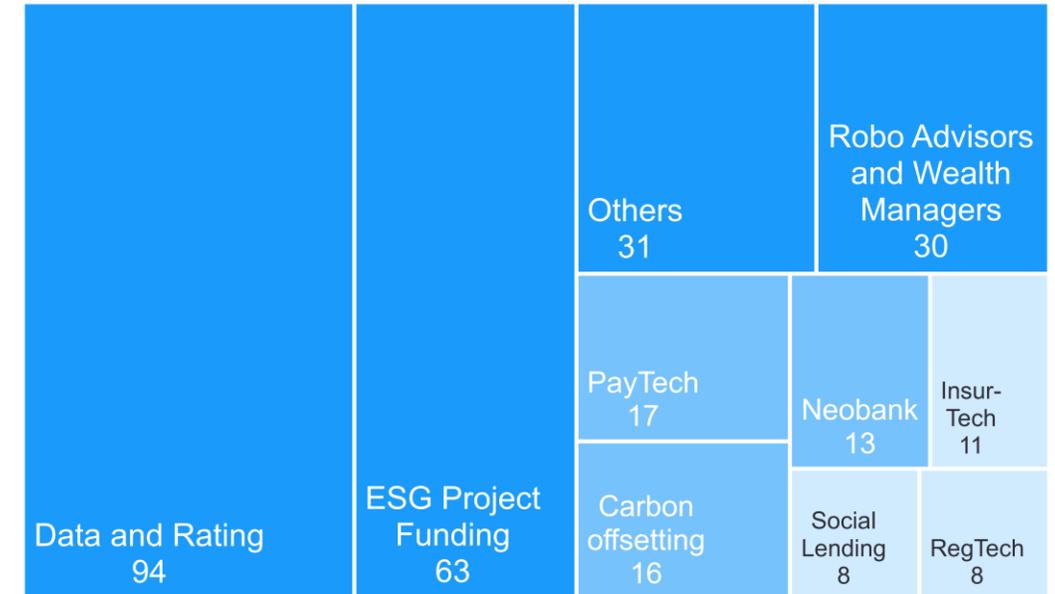


Funding rounds > \$10m

54
since 2016

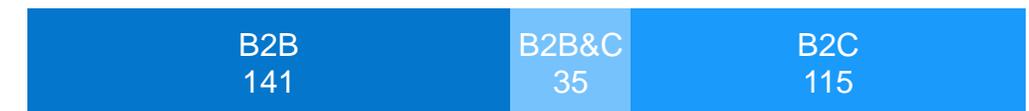
Business Models of ESG FinTechs

of companies

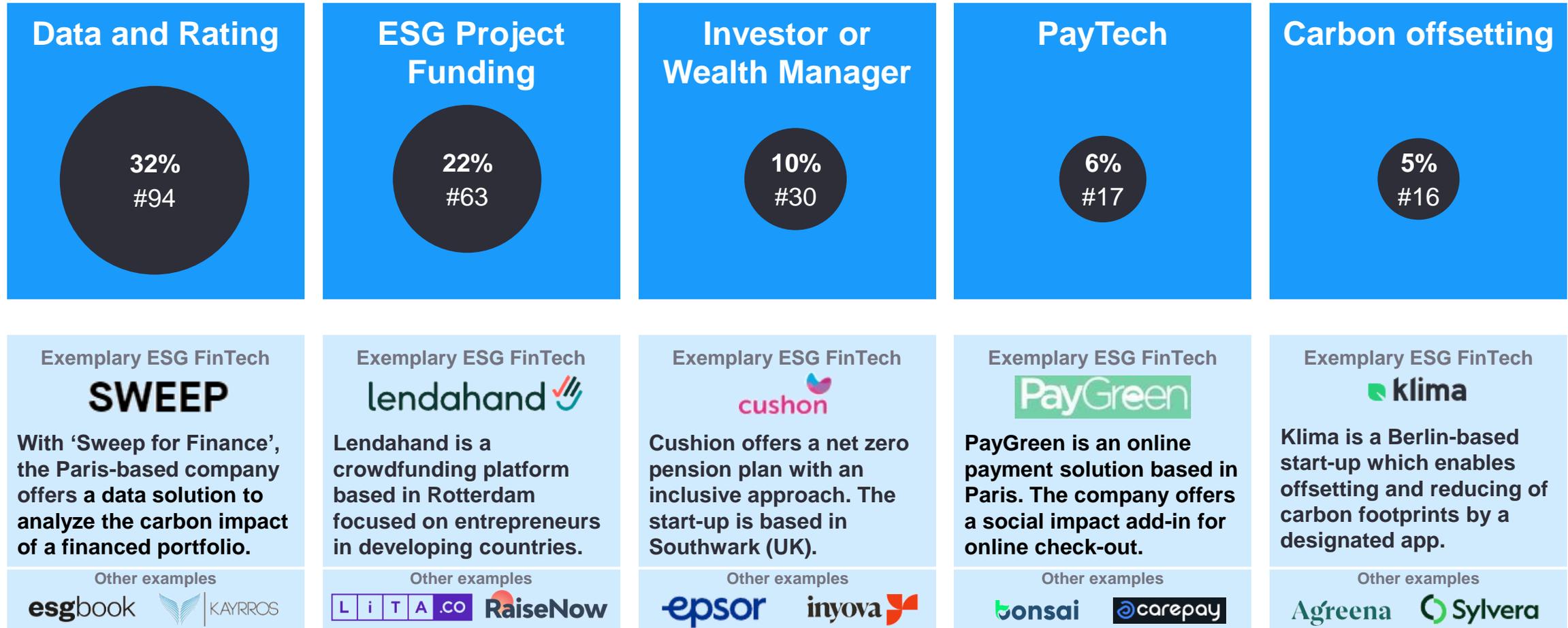


Target Markets of ESG FinTechs

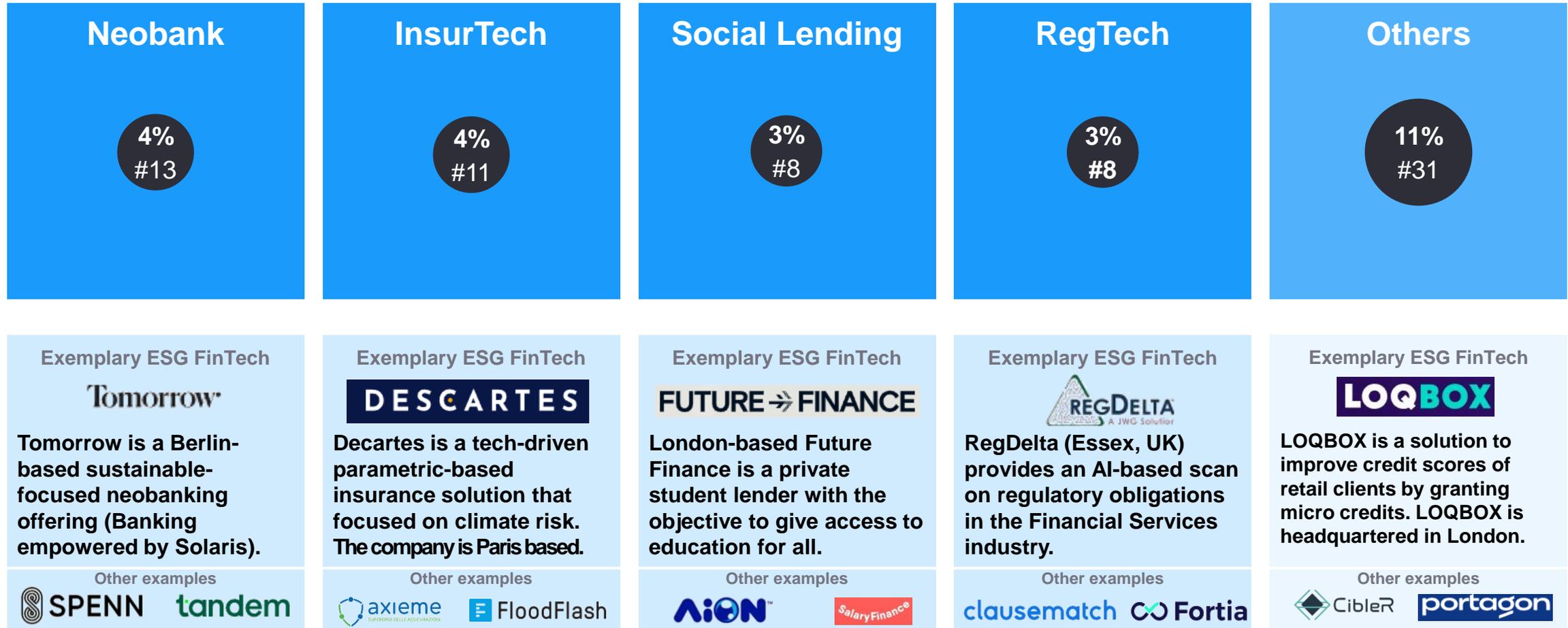
of companies



Sector overview and exemplary ESG FinTechs



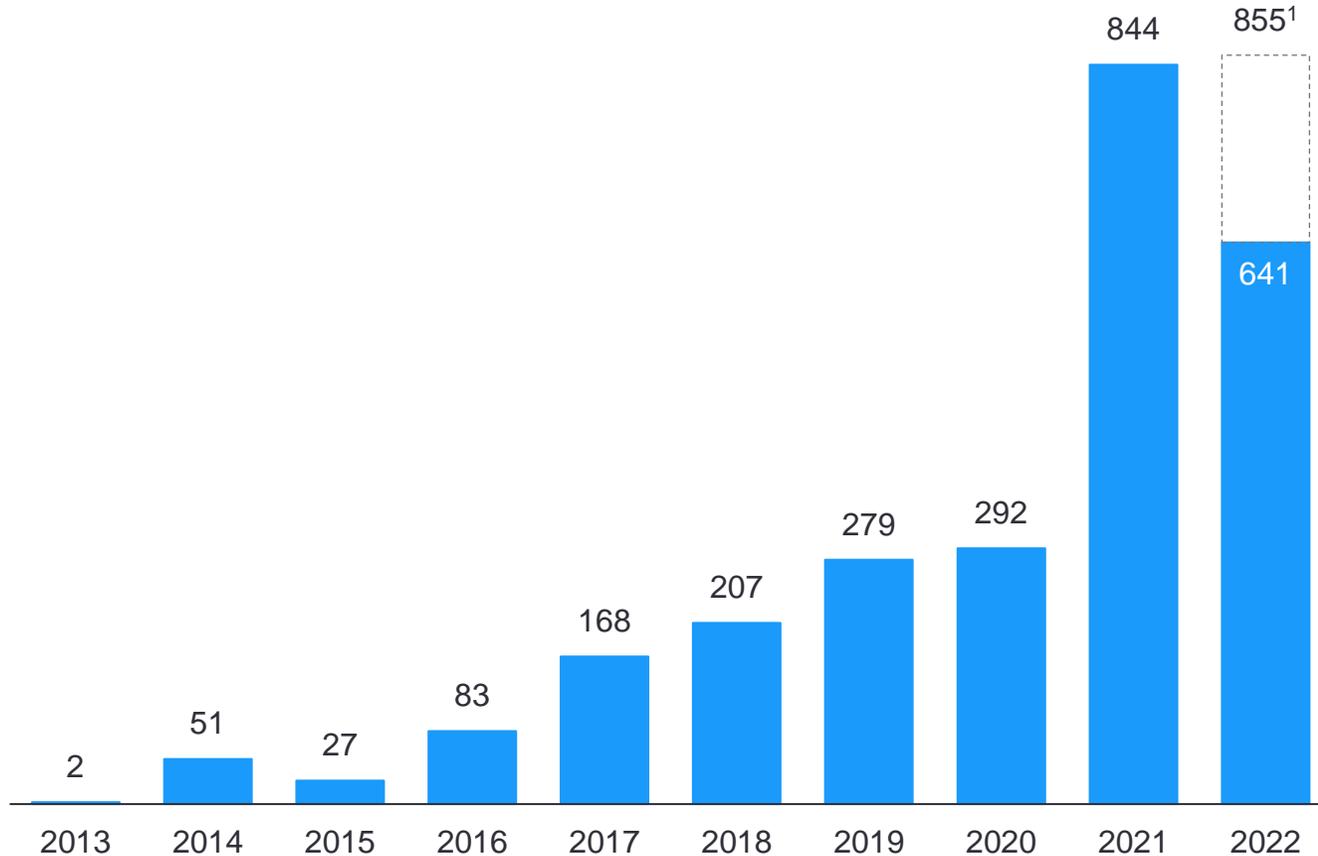
Sector overview and exemplary ESG FinTechs



Funding development – total

Development of funding volumes per year 2013 – 2022

\$ million



1. Extrapolated total fundings for 2022 based on fundings 09/22 YTD

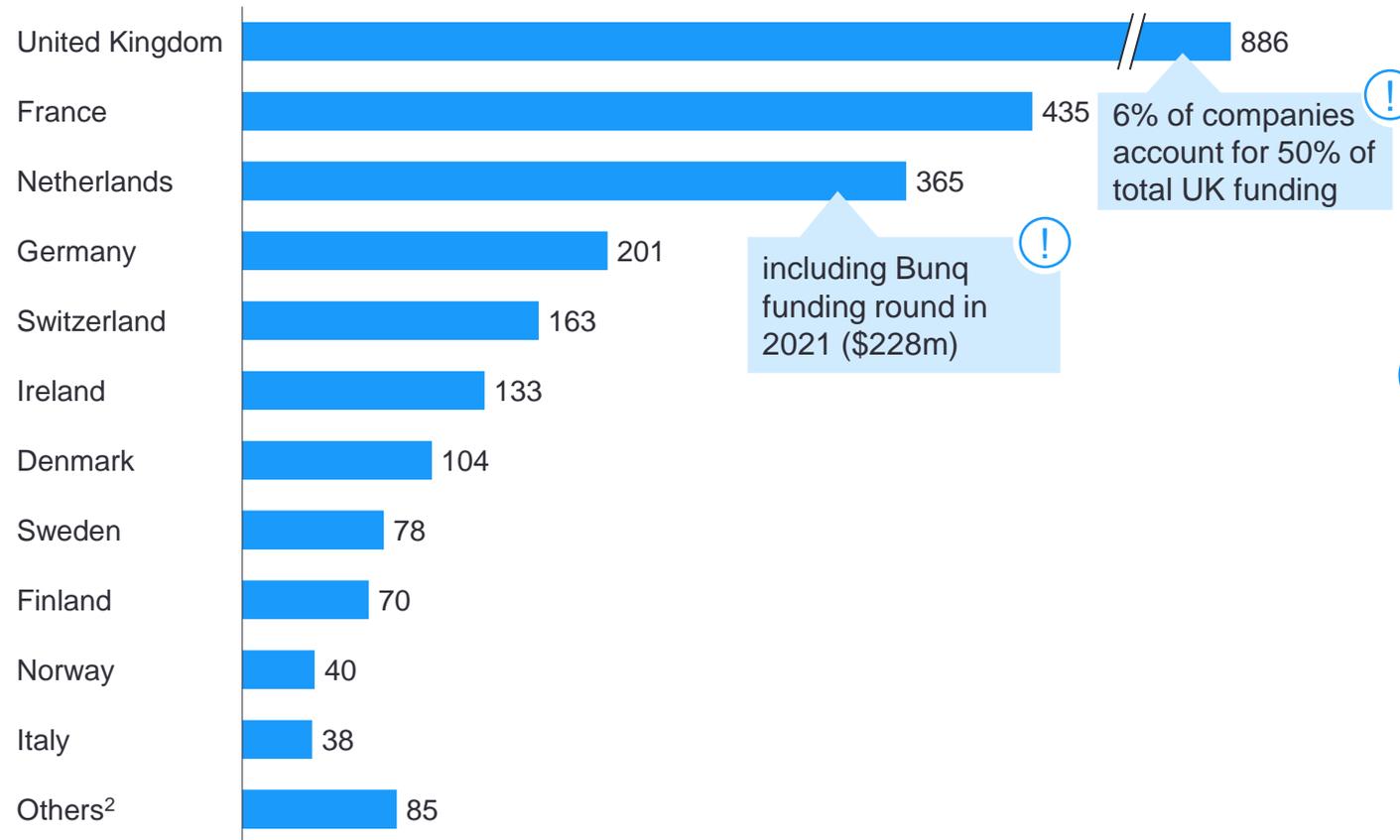
Key findings

- ▶ **Equity Investments in ESG FinTechs gaining momentum since 2016** with an accelerated increase in 2021 and 2022 after the European Green Deal in 2020
- ▶ **2022 is on a good path to beat the all-time funding high** ESG FinTechs experienced in 2021
- ▶ **A few large ticket transactions represent the lion's share of total funding** – 20% of founding rounds account for 80% of volume in 2022 (14% 2013-2022)
- ▶ **The average ticket size per funding rounds increased significantly** from <\$1 m to \$11 m in 2022

Funding development – by country

Total funding volumes per country (2010¹-09/2022)

\$ million



1. Includes one funding signed in 2009 to represent data consistency of companies in scope.

2. Other countries: Luxembourg, Spain, Belgium, Austria, Portugal

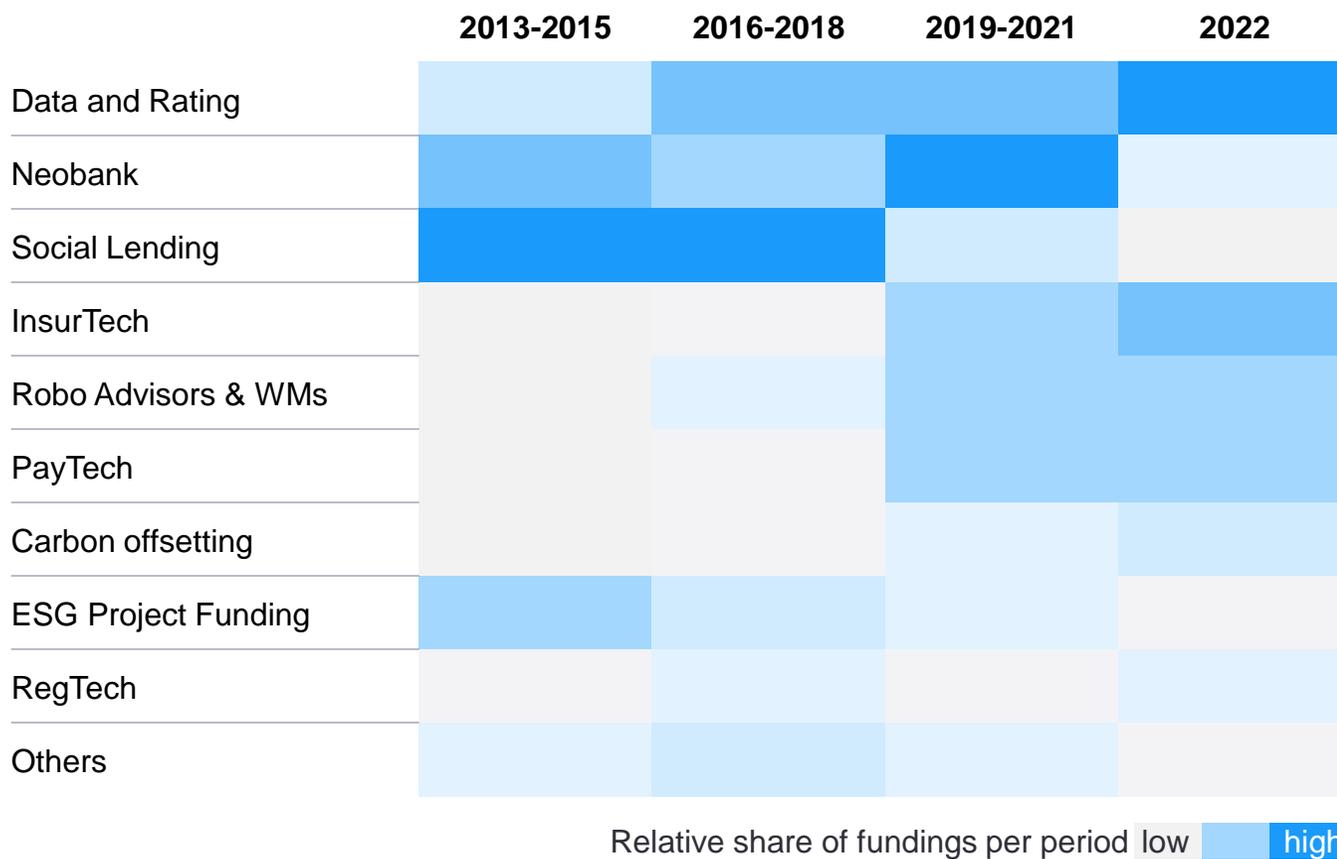
3. Includes Denmark, Finland, Norway and Sweden

Key findings

- ▶ **Total funding volumes in the UK dominate the European ESG FinTech market** followed by France and the Netherlands while the Nordics also play a significant role (\$397 m combined³)
- ▶ **Significant amounts are concentrated on a few flagship transactions** - in Finland, Italy and the Netherlands *one* funding round represents more than 50% of the total investment volume
- ▶ **Heterogenous average ticket sizes across the countries** – ranging from \$1m in Spain to \$17m in the Netherlands
- ▶ **High sector concentration**, e.g. total investments of 75% and above in one sector in the following countries: Belgium (Data and Rating), Finland (PayTech), Italy (ESG Project Funding), Ireland (Social Lending), The Netherlands (Neobanks)

Funding development – by segment

Distribution of equity fundings by business models



Key findings

- ▶ **Leading business segments** by share of total equity funding 2013-2022 are **Data and Rating, Neobanks, and Social lending**:
 - ▶ Data and Rating category is of consistently growing importance
 - ▶ Neobank funding is strongly dominated by single, large funding rounds (e.g. Bunq in 2021)
 - ▶ Social Lending is shift from equity funding to debt funding in the past two years
- ▶ **ESG Insurtechs are trailing the development of the market**, which is in line with observations for the total FinTech market
- ▶ **RoboAdvisors & WMs are gaining importance** due to increased demand for ESG investments
- ▶ **B2C businesses collected 55% of the fundings, B2B 38%, B2B&C 7%**

Outlook

- **ESG FinTechs continue their path from niche to mainstream:** Our findings confirmed the perceived momentum of ESG FinTechs. The segment experienced significant growth in funding and the number of active companies - representing about 5% of all European FinTechs.
- **Signals are set to green for a continued ESG growth story:** Regulatory initiatives such as the EU Green Deal or the UN SDGs need to be translated into actions. The Financial Services industry plays a leading role in delivering the transformation as it can actively manage capital distribution toward a more sustainable economy.
- **Incumbents need ESG FinTechs more than before:** To fulfill the role of an ESG transformation accelerator Financial Services players primarily need high-quality ESG data to understand current and future impact potential *and* investment opportunities. We assume that most incumbent players need at least partial support with creating ESG-related products and services.
- **Demand for sustainable investments continues to grow:** An EY study¹ revealed that 90% of institutional investors will pay more attention to companies' ESG performance when making investment decisions. Concerning retail clients, a recent representative survey² concluded that about 60% of German retail clients will consider sustainability aspects for future investments. This is a significant opportunity for established Financial Services players and FinTech – as enablers and competitors.
- **Investments are expected to grow despite macroeconomic developments:** Around 70% of the ESG FinTechs are Seed and earlier-stage Start-ups. Given the ambitious ESG targets, the essential role ESG FinTechs can play with their solutions and the applicability to most FS players we see the potential for substantial growth backed by investors over the coming years.
- **ESG Data Providers, Carbon Offsetting, Asset Management and potentially InsurTechs** are the segments where we expect the highest funding and M&A activity.

1. EY.com article, Three quarters of institutional investors say they may divest from companies with poor environmental track records,2021

2. Ebase.com study, Nachhaltige Kapitalanlagen 2022



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The European FinTech landscape is subject to continuous and frequent changes, and is partially characterized by limited information. As a result, we cannot guarantee the completeness of this study.

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