

Stockholm – Europe's No.2 FinTech city

A dynamic hub for innovative payment, funding, banking, and transaction technologies



June 2015.

A summary of the research report *Stockholm FinTech – An overview of the FinTech sector in the greater Stockholm Region* by the Stockholm School of Economics (SSE).

The FinTech sector in this report includes technologies for banking and corporate finance, capital markets, financial data analytics, payments, and personal financial management.

The sector is growing rapidly and global investments tripled from \$4 billion in 2013 to \$12 billion in 2014. It has also attracted interest in a number of regional hubs, such as Silicon Valley, New York, London, Stockholm, and Australia.

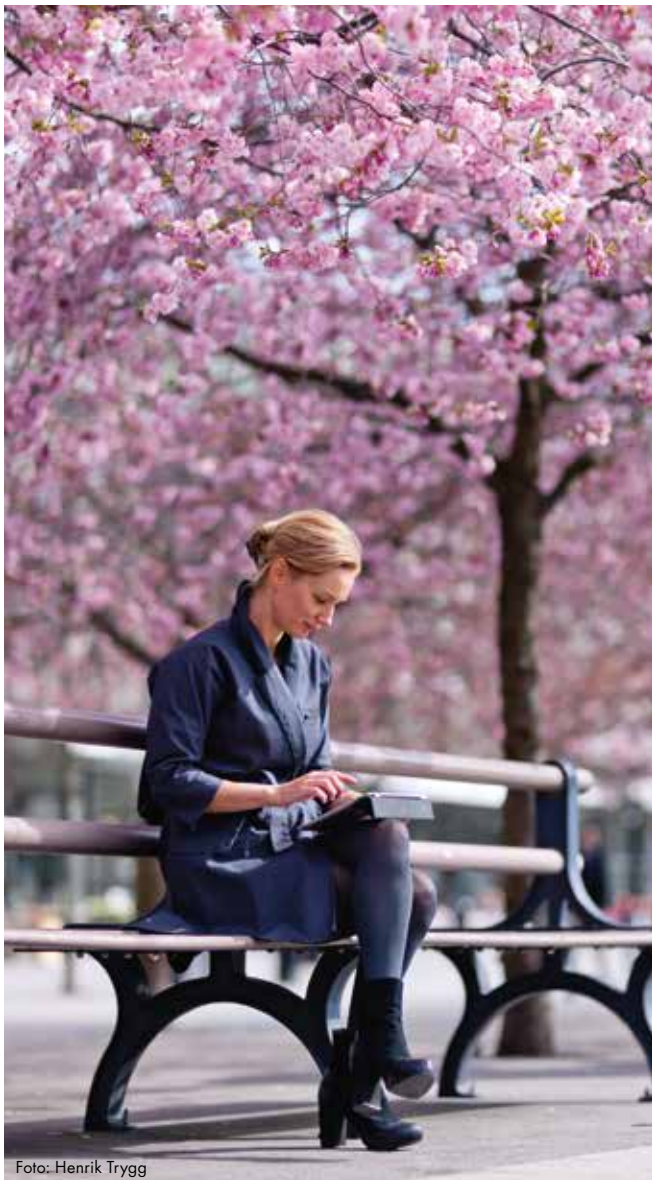


Foto: Henrik Trygg

Stockholm – Europe’s unicorn factory

In the last decade, the Nordic countries have produced 53 percent of Europe’s billion dollar exits. Sweden alone has accounted for 50 percent of the Nordic exit value.

Stockholm plays a significant role in this activity as it is an internationally recognized innovation engine and prominent technology hub that performs way beyond its size. For example, within recent years the city has produced five unicorns, or start-ups with a valuation exceeding \$1 billion. These unicorns are Skype, Spotify, King, Mojang, and Klarna. According to research by Atomico, Stockholm has the highest number of unicorns per capita, and it is surpassed only by London, with its seven unicorns, in the total number of unicorns.

The Nordic region’s leading financial center

Stockholm stands for one-third of the Swedish economy, and its business community is home to many local and multinational headquarters.

The financial sector plays a fundamental role in this ecosystem and creates conditions for growth. It is the fourth largest sector, by value, in the Swedish economy. Stockholm is ranked as the leading Nordic financial center, with strengths in such areas as innovation, technology, and with the headquarters of four major Nordic banks and the largest stock exchange.

Cities such as London, Stockholm, Berlin, and Helsinki are places where ‘success breeds success’. These hubs start to become magnets for the inflow of entrepreneurs, talent and capital. That makes it less likely that entrepreneurs will look elsewhere to grow.

Tom Wehmeier, Head of Research, Atomico
(*Financial Times*, June 5, 2015.)

Attracting big investments

2014 Activity

The year 2014 was a landmark year for investments in Stockholm-based FinTech companies. In total 15 FinTech deals attracted \$266 million in investments. Moreover, FinTech investment in Stockholm represented 32 percent of total investments in Sweden.

Top five 2014 investments in Stockholm FinTech companies

Klarna	\$125 Mln
iZettle	\$55.5 Mln
Trustly	\$28.8 Mln
Bima Mobile	\$22 Mln
KnC Miner*	\$14 Mln

* An additional \$15 million were invested in 2014 but not disclosed until 2015.

\$266 Mln

– 15 Investments. It represents 50% of the past five year total

3 exits

– 2 undisclosed

32%

of total investment in Sweden

18%

of FinTech investment in Europe

More remarkable is that Stockholm's 2014 investment volume alone is half of the past five year total of \$532 million invested in FinTech in the Stockholm region.

Traditionally the Payment and Trading & Banking segments have received the biggest share of investments, but lately there has been increasing activity in the Cryptocurrency and Innovative Lending segments. For example, the 2014 and 2015 investments in KnCMiner made it one of the best-funded Cryptocurrency companies globally.

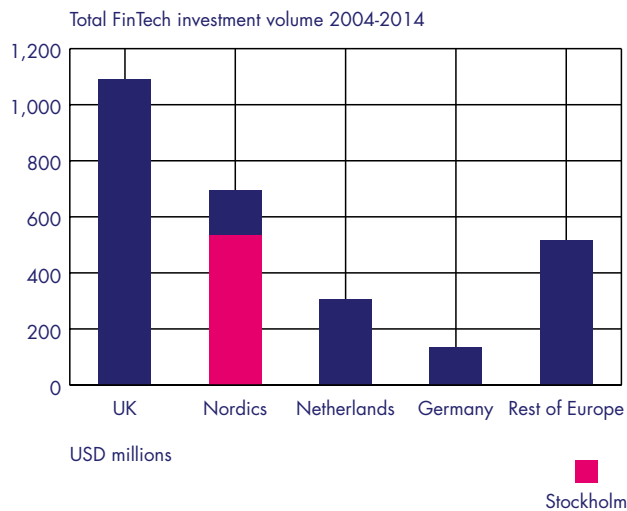


Stockholm – Europe’s No.2 FinTech city

Stockholm’s contribution to FinTech investments in Europe over the past five years represents 18.3 percent of the total FinTech investments and 7.7 percent of all deals.

Looking at the past 11 years, Stockholm comprises 15.9 percent of the total FinTech investments in Europe. That puts Stockholm in the past decade as the second highest funded city in Europe after London – and solidly ahead of the third place city Amsterdam.

It is quite remarkable that Stockholm has achieved such strong and stable results in FinTech, given its size and that it does not have an extensive financial ecosystem of accelerators, incubators, and niche investors such as that found in other European financial centers.



Past 5 years

2nd largest city
in Europe with 18.3% of the European total

31 investments
– \$532 Mln

7 exits
– \$360 Mln Disclosed



Foto: Niclas Södling

Prominent international investors drawn to Stockholm

The capital flowing into Stockholm FinTech companies comes from many sources, and during the past five years there has been a substantial increase not only in the number of local investors but also the number of investors from the US and Europe. From 2013 to 2014, the number of unique investors grew by a factor of five – from 5 to 25.

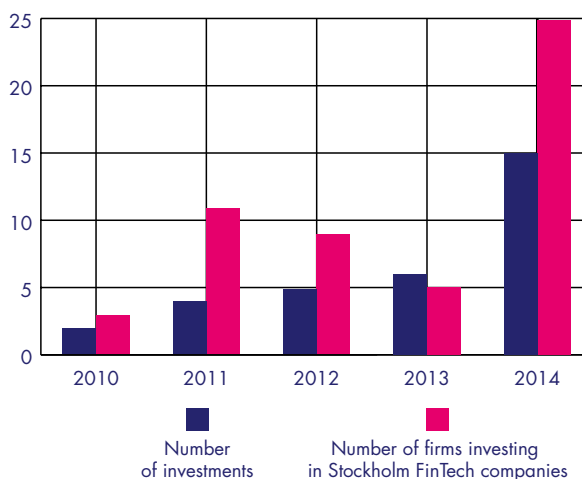
US investors: Accel Partners, BitCoin Opportunity Corporation, General Atlantic, Greylock Partners, Intel Capital, Sequoia Capital, Mastercard Worldwide, American Express Ventures

European investors: Atomico (UK), Dawn Capital (UK), GP Bullhound Sidecar (UK), Hasso Plattner Ventures (Germany), Index Ventures (UK), Octopus Ventures (UK), Sunstone Capital (Denmark), Zouk Capital (UK)

Swedish investors: Bridgepoint Development Capital, Conor Venture Partners, Creandum, Kinnevik, NFT Ventures, NorthZone Capital, Partnerinvest Norr, SEB Venture Capital, STING Capital

Other investors: Leapfrog Investments (Australia), Link2Ventures (Singapore)

Annual investment numbers for Stockholm FinTech companies



Origin of investors

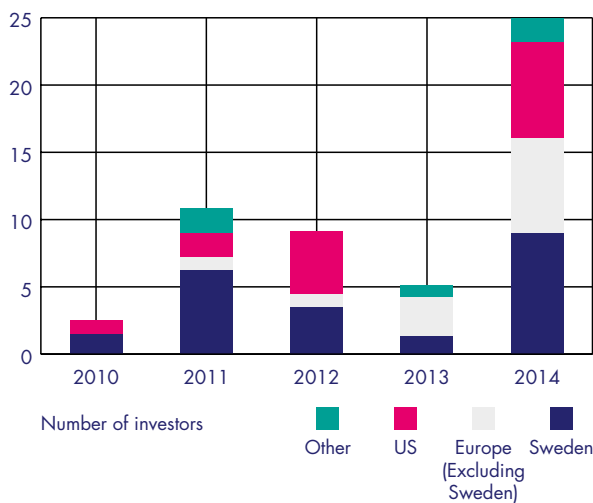


Foto: Yanan Li

The big players are really looking at Stockholm now.

Erik Engellau-Nilsson, Vice President Communications, Klarna

Stockholm's successful FinTech companies

The FinTech sector in Stockholm is diverse, and the companies are mainly concentrated in downtown Stockholm.

Payments: Accumulate, Allopass, Babs Paylink, Betalo, Billhop, iZettle, Klarna, Mondido, MPS (Mobile Payment Solutions), PayAir, Payex, Payground, Payson, Prelo, Qliro AB, Seamless Payments, Trustly, Vaulted Payments, WyWallet

Trading & Banking: Aphelion, Camerontec, Cinnober, CMA Small Systems, Neonet, Nordnet, OMX Technology, Shareville (part of Nordnet), SunGard Front Arena

Wealth Management: Avanza, InsPlanet, Qapital, Tink

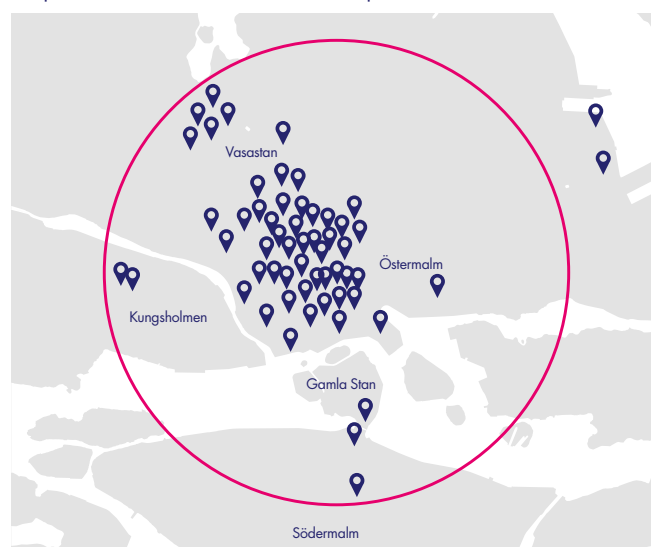
Cryptocurrency: Bitjoin, ChromaWay, Cryex, KnCMiner, Safello

Innovative Lending: Consector, Crowdculture, Emric AB, FundedByMe, Kortio, Lånbyte.se, Lendify, Lendo AB, Myloan (owned by Insplanet), Qvido, Toborrow, Trustbuddy

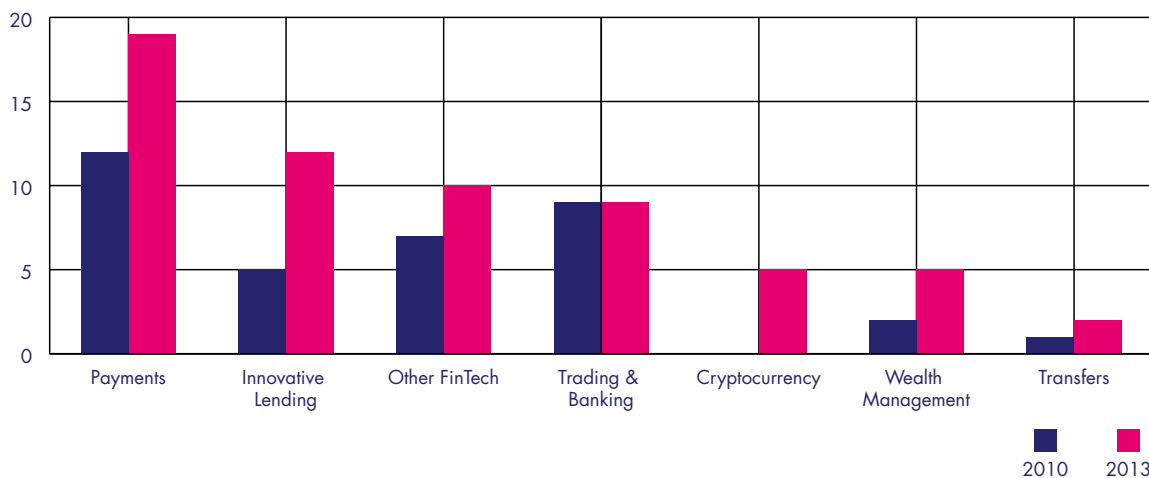
Transfers: Seamless Distribution, Swish (GetSwish AB)

Other FinTech: Algorithmica, BehavioSec, Bimamobile (Milvik AB), Bolånegruppen (Our Interest AB), Mopper, ORC Group/Orc Software, Pantor, Tbricks, TriOptima, Zenconomy, Trema

Map of Stockholm-based FinTech companies



Number of Stockholm-based FinTech companies by segment



Revenue drivers

In addition to the fast pace of growth in FinTech investment, the revenues of FinTech firms have also seen consistently strong growth with 2013 revenue estimates for the Stockholm FinTech sector at \$1.3 billion, an increase of 25 percent over 2010 values. Trading & Banking with 38.8 percent of total revenue and Payments with 33 percent are main segments driving FinTech revenue.

Main segments driving FinTech revenue in Stockholm region in 2013

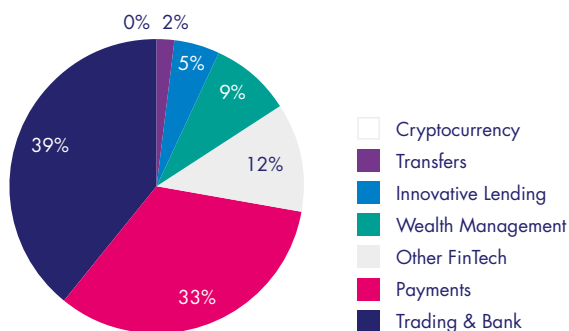
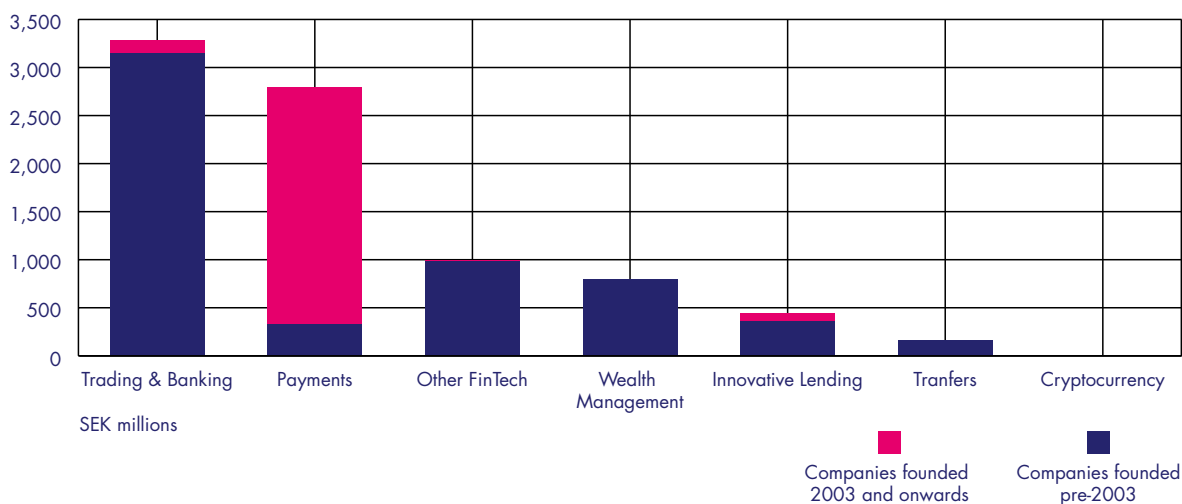


Foto: Nicho Södling

2013 FinTech revenue in Stockholm, company establishment date highlighted



44% employment growth 2010-2013

The Stockholm region employs approximately 197,000 individuals in full-time high-tech positions, which is 18 percent of the region's total employment. The region boasts the highest per capita concentration of high-technology employees of any large business region in Europe.

Total FinTech employment in Stockholm reached an estimated 4,600 full-time employees in 2014. Furthermore, the FinTech sector in Stockholm is rapidly increasing – with a solid 44 percent increase from 2010 to 2013. Going forward, employment is expected to grow even more.

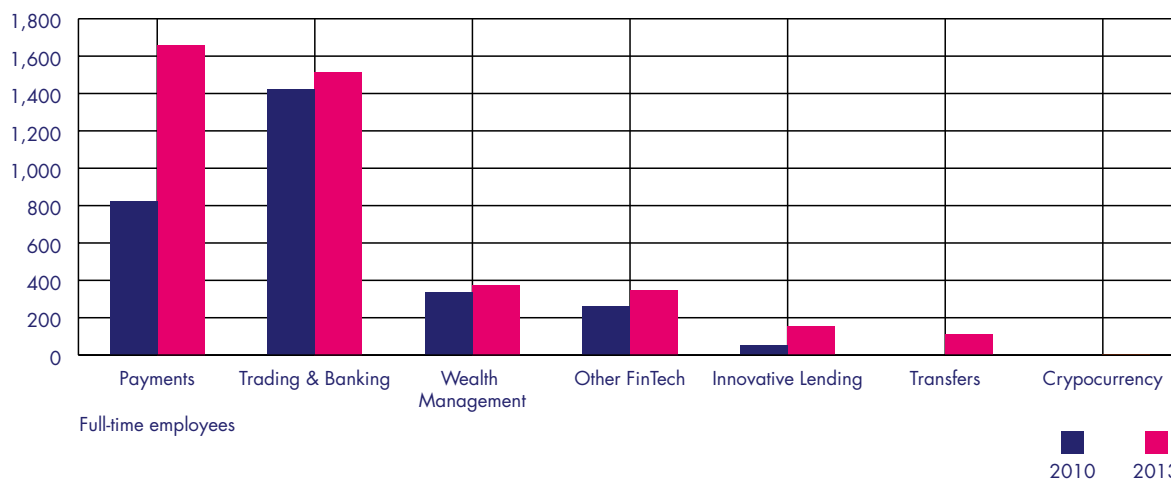
Good ideas aren't enough for success. What makes Stockholm unique is that we have a high level of execution intelligence here. Not only do programmers have a deep level of technical skills, but they also understand how to turn technology into a product that creates value in a global market.

Daniel Blomquist, Partner, Creandum



Foto: Staffan Eliasson

FinTech employment in Stockholm by segment in 2010 and 2013



It is no coincidence

The tech environment in Stockholm and in the greater area of Sweden has been very successful, and many of Sweden's largest multinationals today are the result of technological innovations that have developed over time.

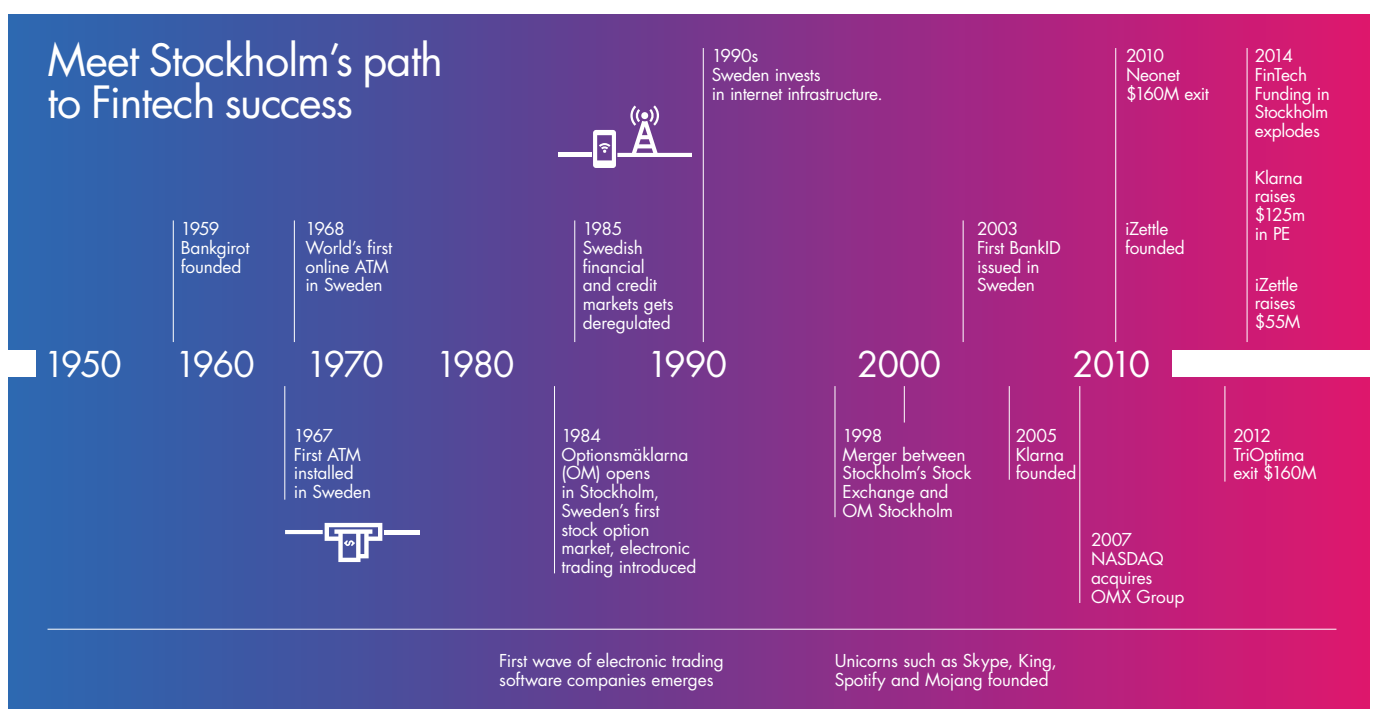
In the early 1980s, Sweden experienced a very high inflation rate and high levels of household indebtedness. This, together with the growth of an active money market in certificates of deposit and treasury bills in the early 1980s, drove a call for deregulation of the financial market in Sweden.

Following this, Optionsmäklarna (OM) was created in 1984. Not only was OM the first options exchange in Sweden but also the first exchange ever to enable remote trading and one of the first electronic exchanges

globally. This initial innovative approach taken by OM set the stage for a first wave of companies specializing in software for electronic trading such as Cinnober and Front, companies that we would now call FinTech today. The deregulation together with foreign direct investment, the expansion of the ICT sector, and high internet and smartphone penetration have created an advantageous climate for FinTech businesses in Stockholm, as evidenced by examples such as Klarna and iZettle as well as by Nordnet and Avanza, competitors to the traditional banks. History reveals thus not only a development of the technology prerequisites but also of the market possibilities in the financial market, and these factors combined have paved the way for a strong future development of FinTech in Stockholm and Sweden.

The Stockholm area is on the leading edge of financial services development. Don't forget that technology is not everything. You have to have the knowledge to succeed in this globally competitive sector, and Stockholm is at the forefront of knowledge development as it has built up extensive competence during the past 30 years.

Olof Stenhammar, Nasdaq OMX, Founder of OMX



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Foto: Henrik Trygg

The Nordic financial hub

Stockholm's position as the Nordic financial hub is the result of more than 30 years' experience integrating IT with marketing and new product development operations.

Strong startup ecosystem

There are a number of successful firms that act as role models by setting high standards inspiring current and future entrepreneurs while serial entrepreneurs share their expertise and reinvest in new firms.

Community of high-tech early adopters

Consumers in Stockholm and in Sweden are high-tech early adopters, and multinationals often choose Stockholm as a testing market for the development of new products.

A natural global focus

Sweden's smaller market size encourages almost every startup to think and act as a global player from the start.

Stockholm is a leading region and a desirable location

Stockholm is number two in Europe and number five in the world as the birthplace of the world's most successful billion dollar companies.

Strong government and social security

Sweden has a stable government and a strong regulatory framework, which provides a solid base for companies looking to expand abroad. Substantial social benefits reduce the risks faced by entrepreneurs and costs for companies, thus encouraging startup and innovation.

Swedish leadership style

A bottom-up and flat, non-bureaucratic management style empowers creativity and innovation and enables high quality product development that is difficult to duplicate elsewhere.

Going forward

To gain even more momentum, efforts are being made by various actors to further develop the FinTech sector and community in Stockholm. For example, one idea includes developing the appropriate indices and metrics

to enable local businesses and the region to show the competitiveness of the region. This would further attract skilled individuals and financial resources, not just to a single firm but to Stockholm – a vibrant hub full of opportunities.



Foto: Henrik Trygg

Research for the SSE report was conducted through interviews with business leaders in the Stockholm FinTech and investment community and secondary data collection. Data were also provided by the Accenture FinTech team in the UK. Additional data in this report were accessed from Creandum, Atomico, and the *Financial Times*.

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