



IMBERIUM

# Half Year Fintech Report 2022

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*VC/PE M&A TRENDS AND OPPORTUNITIES*

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IMBERIUM INC.



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## Overview

The ongoing shift towards digitization and online platforms in the financial services sector has gained momentum in recent years, providing advantages for the expanding network of financial technology (fintech) startups aiming to tap into emerging opportunities. In the United States, the adoption of mobile wallets, which initially faced sluggish acceptance, experienced a notable surge among adults, rising from approximately 30% before the pandemic to 58% in 2020 and further to 68% in 2021.<sup>1</sup> The pandemic-induced boredom and lockdowns contributed to a surge in retail investors turning to mobile trading apps, resulting in a 34% year-over-year increase in US equities trading volume in October 2021.<sup>2</sup>

These favorable industry dynamics are poised to attract investment capital into fintech companies across both private and public markets. While certain fintech segments, like neobanks and real estate lending platforms, are reaching maturity and drawing increased late-stage growth and public capital, others such as decentralized finance (DeFi) and autonomous finance are in the early stages of securing institutional investment. These growth trajectories intersect with various disruptive forces impacting the financial services landscape, including real-time payments, immediate transaction settlement, and core banking migration. These enduring transformative trends continue to garner investment interest from a diverse array of stakeholders, including financial institutions, governments, and corporations.

The financial services sector has, to a large extent, reaped benefits from the COVID-19 pandemic as governments and central banks responded with cash injections into the global economy, learning from lessons during the global financial crisis. Many major banks, anticipating loan losses, set aside provisions during the initial days of the pandemic, only to find that these losses did not materialize. Consumers utilized government stimulus checks to settle debts, and businesses received government-backed loans facilitated by the private banking system. Capital deployment also expanded in capital markets, with trading volumes rising across nearly all asset classes, resulting in substantial fees for banks, brokerages, and other trading intermediaries.

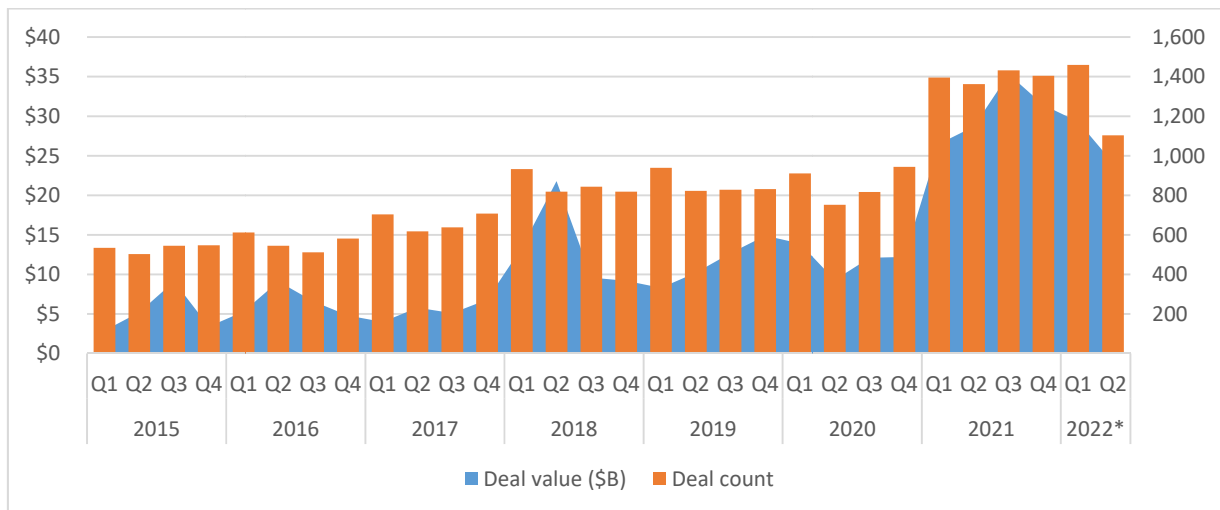
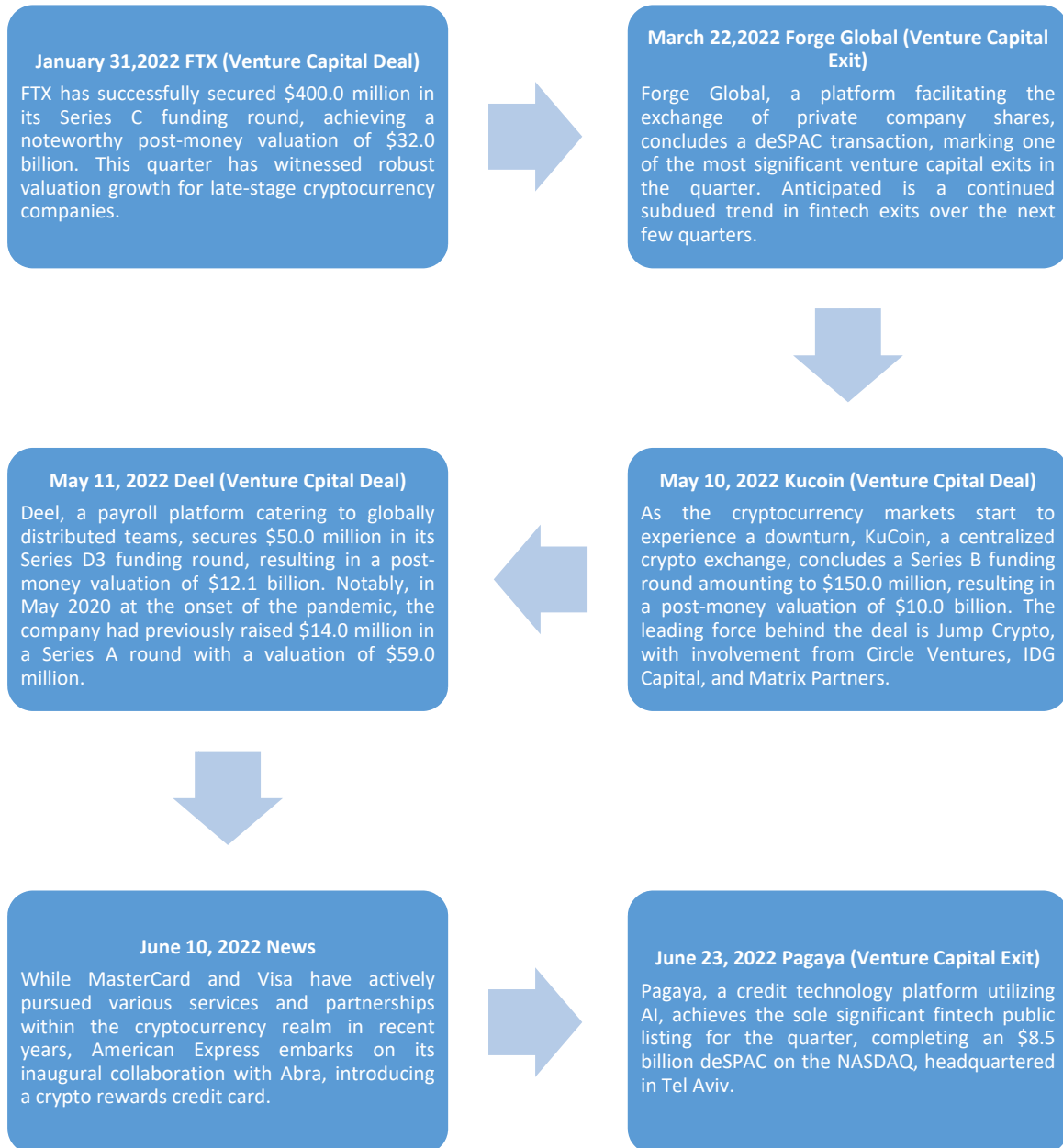


Figure 1: Fintech Venture Capital Deal Activity till Q1+Q2 2022

<sup>1</sup> <https://ion.fiserv.com/ee-fintech-adoption>

<sup>2</sup> <https://www.drivewealth.com/industry-trends/retail-trends-3q21/>

## Half Year Timeline



## Venture Capital Overview

In Q1 2022, global fintech raised \$29.3 billion in VC across 1,233 deals, showing a 7.3% decrease in QoQ deal value but still reflecting a 13.8% YoY increase. Payments companies led with \$9.1 billion, a 12.4% QoQ growth. Checkout.com secured the largest deal – a \$1.0 billion Series D at a \$40.0 billion post-money valuation. Other notable payments deals included Bolt's \$355.0 million Series E, Qonto's \$549.8 million Series D, and Brex's \$300.0 million Series D2. Alternative lending saw significant activity outside the US, with Funding Societies, Creditas, and Oakbrook Finance securing notable deals. Consumer finance and financial services IT experienced the largest VC investment contractions, decreasing by 40.8% and 72.7% QoQ, respectively.

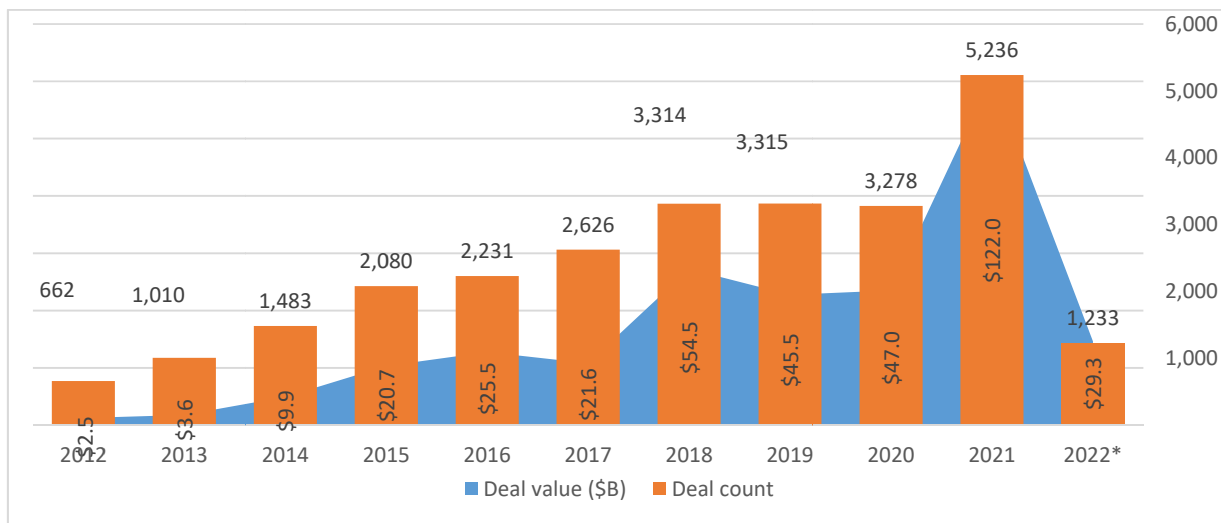


Figure 2: Fintech Venture Capital Deal Activity till Q1 2022

In the Q1, VC-backed late-stage fintech companies saw a 44.5% increase in median pre-money valuation to \$257.5 million from 2021's full-year figure of \$178.3 million. Early-stage median pre-money valuations also reached new highs at \$63.0 million, up 57.5% from 2021, resulting in the highest pre-money valuation step-ups at 3.1x for early-stage and 2.5x for late-stage fintech companies. Fintech venture exits slowed significantly in the quarter, totaling \$8.7 billion in exit value by March. This slowdown is expected, given the prevalence of fintech companies going public in 2021, and the current pause in IPO activity due to macroeconomic conditions. The two largest VC exits for the quarter were deSPACs for neobank Dave and private stock exchange Forge Global.

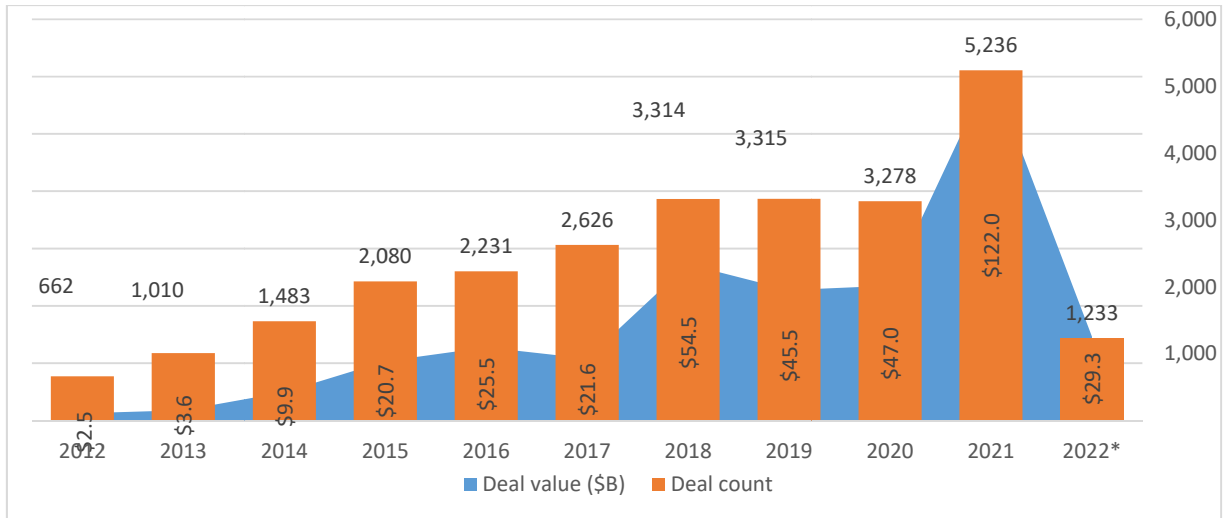


Figure 3: Fintech Venture Capital Exit Activity till Q1 2022

In Q2 2022, global fintech secured \$24.1 billion in VC across 1,103 deals, marking a 17.8% QoQ drop, the steepest since Q3 2018. Payments companies led with \$7.6 billion, down 18.7% from Q1. Ramp's \$748.3 million Series C was the largest in the segment. Other notable payment deals included SumUp, Scalapay, and GoCardless. Alternative lending raised \$4.7 billion, featuring Bloom, Stashfin, and Lev. Financial services IT and regtech had the largest VC increase, up 83.8% and 3.2%, respectively. This reinforces the outlook that fintech companies with recurring revenues from enterprises, banks, and financial institutions are poised for success.

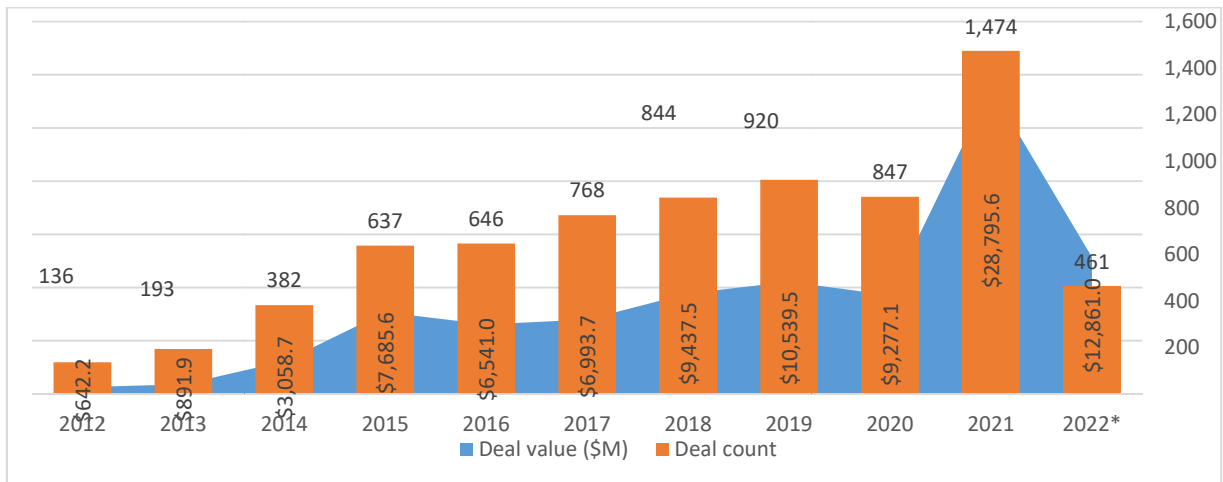


Figure 4: Fintech Venture Capital Deal Activity till Q2 2022

In the Q2, VC-backed late-stage fintech companies saw a 40.6% decrease in median pre-money valuation to \$153.0 million from Q1's \$257.5 million, staying relatively flat compared to 2021's full-year figure of \$151.3 million. Early-stage median pre-money valuations also dropped to \$51.0 million from Q1's \$63.0 million, a 19% decline, but still a 45.7% increase from 2021. Pre-money valuation step-ups, measuring valuation accretion between stages, remained robust at 3.0x for early-stage and 2.3x for late-

stage fintech companies. Fintech venture exits continued at a restrained pace, reaching \$11.2 billion in exit value by June with a total of 68 VC exits for the quarter. This slowdown aligns with the trend of fintech companies primarily exiting through public markets in 2021, and the current pause in IPO activity. The top three VC exits for the quarter included a deSPAC for AI credit technology developer Pagaya, and the acquisitions of Superhero by Swyftx for \$1.1 billion and Finxact by Fiserv for \$650.0 million. With uncertainty in public markets, the expectation is for incumbents and established fintech companies to pursue acquisitions, leading to a shift in VC exits from public listings to M&A in 2022.

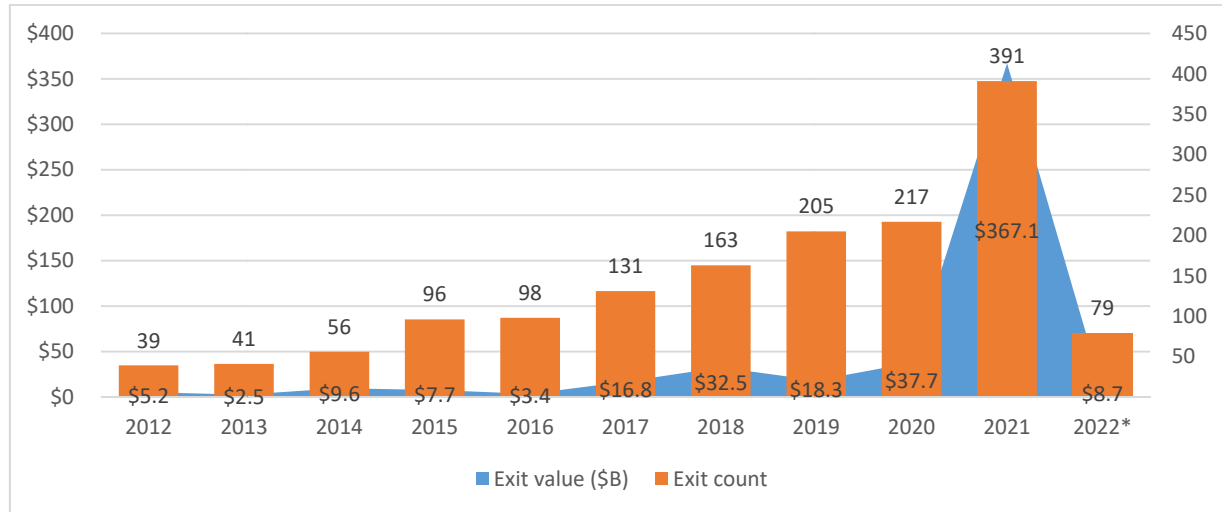


Figure 5: Fintech Venture Capital Exit Activity till Q2 2022

Company	Venture Capital Raised (\$M)	Category
Fireblocks	\$1227.9	Digital Assets
Trade Republic	\$1231.0	Wealth tech
Ramp	\$1268.4	Payments
Revolut	\$1854.2	Consumer Finance
NS6	\$1808.6	Consumer Finance
Checkout	\$1830.0	Payments
FTX	\$1968.7	Digital Assets
Stripe	\$2235.0	Payments
Chime	\$2646.6	Consumer Finance
Klarna	\$3898.6	Consumer Finance

Table 1: Fintech Venture Capital Backed Companies to date

## Opportunity

### Corporate crypto finance (CCF)

In the realm of corporate crypto finance, the traditional software stack for corporate finance has evolved, aiding finance teams in automating processes such as payments, payroll, financial planning, and reporting. As new financial paradigms around crypto, DeFi, and web3 gain adoption, corporate finance roles are rapidly changing. Companies developing crypto strategies are faced with challenges in

accounting, risk management, and compliance due to limited guidance from standard-setting bodies and financial regulators.

The treatment and accounting of crypto-related activities have proven challenging for many companies, with traditional finance software slow to adopt crypto features. This gap has created an opportunity for startups to develop innovative solutions catering to companies with crypto strategies.

The current process for companies dealing with crypto involves multiple wallets and exchanges, posing challenges. While institutional crypto offerings exist, they primarily serve financial institutions, leaving a gap for startups like Starlight to offer user-friendly, all-in-one platforms for businesses in sectors such as e-commerce and manufacturing.

The contributor economy, accelerated by the COVID-19 pandemic, has shifted work towards a distributed and remote gig economy, particularly within web3 and decentralized autonomous organizations (DAOs). DAO contributors, often compensated in crypto, face challenges in managing compensation structures as the number of DAOs grows. This has led to a demand for ad hoc financial software to manage, simplify, and automate corporate finance activities for DAOs.

Parcel, a startup, addresses these challenges by developing financial tools for DAOs, including mass payouts, contributor payments, payroll workflows, financial reporting, and multi-token support. The platform enables modular access control, allowing DAO multisig owners to delegate access for specific functions, streamlining operations without sacrificing control of the treasury.

<b>Category</b>	<b>TradFi/Web2</b>	<b>Web3</b>
Cap table management	Carta, Shareworks	BlockState, Magna
Payments, billing & invoicing	Stripe, Chargebee, bill.com	Multis, Request, Smart Invoice
Accounting, financial planning & reporting	Oracle, Intuit, Xero	Coinshift, Hedgey
Banking	Mercury, Chase, HSBC	Anchorage Digital
Spend and expense management	SAP Concur, BREX, Airbase	Starlight
Payroll	ADP, Gusto, Namely	Paymagic, Superfluid, Sablier, Diagonal, Parcel, Utopia
Risk Management	Oracle, NAVEX, Logicgate	Gauntlet

Table 2: CCF Software Providers

### *Carbon Credit Tokenization (CCT)*

Carbon credit tokenization is becoming a crucial solution in addressing the climate crisis through voluntary carbon markets (VCM). Unlike government-mandated compliance markets, VCMs are global platforms allowing carbon emitters to offset emissions by purchasing carbon credits from projects. As companies like Microsoft, Maersk, and Ikea intensify their net-zero climate goals, there is a growing demand for voluntary carbon credits, projected to reach \$190 billion by 2030.<sup>3</sup>

<sup>3</sup> <https://www.bloomberg.com/professional/blog/carbon-offsets-price-may-rise-3000-by-2029-under-tighter-rules/>



VCM involves four key stakeholders: project developers, standards bodies and registries, brokers and exchanges, and end buyers. Blockchain technology emerges as a promising solution, offering transparency, liquidity, and accountability to reduce issues like double spending in the carbon credit trading process. The current OTC process is complex and costly, limiting options for low-volume transactions and thinning markets.

Regenerative finance (ReFi) projects, blending crypto and climate, aim to disintermediate VCM trading. KlimaDAO, a notable ReFi project, tokenizes carbon credits via its native token KLIMA, backed by NFTs from Toucan. Concerns exist about the true value of tokenized carbon credits, but efforts by KlimaDAO and Toucan include sweeping low-quality credits and introducing new tokens solely backed by nature-based carbon credits.

Flow Carbon's platform offers unique features, allowing the reversal of tokenization to redeem underlying carbon assets. Their GCO2 NFTs represent nature-based projects with higher tokenization standards. The fungible token GNT is backed by a bundle of GCO2 tokens, providing options for holding, trading, retiring, or using them in the broader DeFi ecosystem.

Despite challenges, blockchain and NFTs are considered the most feasible solution for trading voluntary carbon offsets. Startups aiming to disintermediate traditional brokers and exchanges are seen as fundamental in this evolving ecosystem, playing a crucial role as demand and carbon credit prices continue to rise.<sup>4</sup>

<b>Company</b>	<b>Capital Raised (\$M)</b>	<b>Location</b>
ClimateTrade	\$23.0	Spain
MOSS	\$13.2	Brazil
Nori	\$12.6	Washington
Single.Earth	\$7.9	Estonia
Regen Network	\$2.7	Massachusetts
Earthbanc	\$1.5	Sweden

Table 3: CCT Companies

### *Payfac Enablement*

In recent times, we've observed numerous investments in both early- and late-stage startups aiming to revolutionize the payments industry. These startups focus on providing online marketplaces and vertical SaaS platforms with the capability to develop their own payment processing systems, deviating from the traditional approach of relying on payment facilitators, commonly known as "payfacs." The surge in the digital economy and e-commerce has led to significant growth for online payment platforms and payfacs like PayPal, Square, and Stripe. Payfacs act as intermediaries in the payment processing ecosystem, simplifying the connection between merchants and payment card networks predominantly operated by established payment processors and banks.

The success of payfacs stems from their ability to meet the requirements of digital commerce by offering APIs that enable online sellers to seamlessly integrate payment acceptance into their applications or websites. In contrast, traditional providers often lack robust digital capabilities. Although

<sup>4</sup> <https://investor.spglobal.com/news-releases/default.aspx>

payfacs typically impose fees ranging from 2% to 3% per transaction, the value they provide, especially for smaller merchants, lies in streamlined onboarding processes and access to robust payment systems. This eliminates the need for substantial investments in payments infrastructure.

As online sellers grow in size and sophistication, they may consider bypassing payfacs and internalizing their payment processes. Reasons for this shift include gaining more control over transaction costs by dealing directly with the payment bank, not the payfac. Additionally, having the freedom to create fully customized payment experiences becomes feasible, which may be restricted when relying on third-party payment intermediaries. Larger merchants, while negotiating volume discounts for better payment economics, are still bound by the limitations of a payfac's system, hindering the ability to develop more proprietary experiences. For online marketplaces, bringing payments in-house opens the door to monetizing payments by offering payment capabilities to sub-merchants on the platform, effectively transforming into a payfac provider and generating an additional revenue stream.

Historically, becoming a payfac has been a complex and costly process. Merchants must advance technologically, acquire payment and money transfer licenses, conduct know your customer (KYC) diligence, and assume fraud-related risks. For those aspiring to offer submerchant payment accounts, underwriting and merchant services capabilities are also necessary.

A new breed of startups has emerged, concentrating on facilitating the transition of marketplaces and independent software vendors (ISVs) into payfacs more seamlessly. Finix, a payfac enabler, employs a single API that enables platforms to establish in-house payments. It comes with pre-set payment forms, managed payouts, and merchant onboarding. Finix also offers platforms the flexibility to devise their own merchant underwriting methodologies and fraud detection systems or use Finix's customized solutions. Another player, Tilled, serves as a payfac enabler by providing a fully managed "PayFac-as-a-Service" platform with a straightforward pricing model: a 66% transaction revenue share, 7 basis points, and \$0.05 per transaction.

<b>Company</b>	<b>Capital Raised (\$M)</b>	<b>Location</b>
Finix	\$97.5	San Francisco, California
Paystand	\$85.5	Scotts Valley, California
Payrix	\$50.0	Sandy Springs, Georgia
Tilled	\$24.2	Boulder, Colorado
Amaryllis	\$3.0	West Palm Beach, Florida
PayEngine	\$1.6	Santa Monica, California

Table 4: Startups of Payfac

### *Onchain Credit Protocol (OCCP)*

The expansion of lending within the DeFi space hinges on tangible real-world applications. While the surge of DeFi in recent years has revolutionized borrowing, lending, payments, trading, and insurance, the practical applications of these financial services remain limited. Notably, prominent lending protocols like Aave, Maker, and Compound typically necessitate borrowers to provide cryptocurrency collateral, often exceeding the borrowed amount (overcollateralization). This model has predominantly served crypto traders engaging in leveraged activities within the DeFi ecosystem, fostering a self-contained and circular economy. The prevalence of over collateralized loans in both traditional finance

(TradFi) and DeFi is associated with capital inefficiency, constraining their applicability in real-world scenarios.

A compelling trend is the rapid evolution of uncollateralized and under collateralized loans within DeFi. These innovations are poised to steer the ecosystem away from speculative trading and toward tangible off-chain advantages. Resembling unsecured loans in traditional finance, these products hold the potential to attract a more extensive customer base to DeFi lending. Despite DeFi lending's remarkable growth, reaching \$41.2 billion in outstanding loans, it remains a fraction of the \$123.0 trillion global bond market.<sup>56</sup> An example is Goldfinch, a decentralized credit protocol that facilitates collateral-free crypto loans, connecting lenders with borrowers financing real-world ventures like agriculture or appliance manufacturing. The protocol engages auditors, backers, and borrowers as its primary stakeholders, ensuring a decentralized and permissionless environment.

Maple Finance, catering to institutional lending, adopts a hybrid approach by conducting creditworthiness assessments off-chain through traditional Know Your Customer (KYC) and anti-money laundering (AML) checks. Like Goldfinch, Maple's credit pools are public, allowing anyone to contribute and earn yield. Additionally, Maple features private credit pools exclusive to specific lenders. The protocol has successfully originated over \$1.5 billion in loans within a year of its commercial launch, extending credit to prominent crypto institutions. In Q1 2022, Maple reported profitability and nearly \$2 million in revenue.<sup>7</sup>

Launching an on-chain credit protocol involves complexity, risk, and cost. However, emerging infrastructure startups such as Teller streamline the process, empowering DeFi lending markets to swiftly establish lending platforms. Teller's composable lending infrastructure integrates KYC, off-chain credit scoring, and dashboards, offering a no-code protocol enabling entrepreneurs, digital platforms, or web2 applications to create their own "LendingClub."

Despite the opportunities for credit protocols to enhance the DeFi ecosystem and drive mass adoption, substantial credit and regulatory risks persist in under collateralized crypto lending. In a pseudonymous ecosystem, evaluating borrowers' ability and willingness to repay loans poses a significant challenge. On-chain identity and credit scoring protocols like Spectral Finance and Cred Protocol are crucial components for preventing fraud, akin to traditional finance solutions like Experian and LexisNexis. Without these foundational elements, credit protocols may struggle to gain market traction, as evidenced by the closure of Porter Finance, a decentralized bond issuing platform that, despite raising \$5.0 million in May 2022 from VC firms, decided to cease operations due to legal risks associated with bond offerings.<sup>8</sup>

<b>Company</b>	<b>Venture Capital Raised (\$M)</b>	<b>Category</b>
Paxo Finance	\$1.0	Under collateralized loans for DeFi
Hashstack Finance	\$1.0	Under collateralized loans for DeFi
Rocifi	\$2.7	Credit protocol with on-chain

<sup>5</sup> <https://dune.com/hagaetc/lending>

<sup>6</sup> <https://www.sifma.org/wp-content/uploads/2022/12/2022-Capital-Markets-Outlook-FINAL-FOR-WEB.pdf>

<sup>7</sup> <https://www.maple.finance/news/q1-2022-maple-treasury-report/>

<sup>8</sup> <https://www.coindesk.com/business/2022/07/06/ethereum-defi-service-porter-finance-shutters-bond-platform-citing-lack-of-lending-demand/>

		credit scoring
Soly Protocol	\$5.0	Bond issuance protocol
Atlendis	\$5.2	Corporate revolver protocol
Teller	\$7.6	Credit protocol infrastructure
Centrifuge	\$11.8	Real-world assets credit protocol
Maple Finance	\$13.4	Corporate loan protocol
Trust Token	\$14.2	Credit protocol with on-chain credit scoring
Goldfish	\$36.7	Real-world assets credit protocol

Table 5: Venture Capital Backed OCCT

### *Non-dilutive Financing Solutions for Tech Startups*

In the realm of technology startups, the conventional avenues for financing have traditionally revolved around equity sales or acquiring debt. Venture capital (VC) is instrumental for companies seeking product-market fit, fostering alignment between founders and investors. Meanwhile, venture debt allows VC-backed firms to elongate their runways with a lower equity sacrifice compared to traditional VC. Despite the advantages of these financing methods, founders are required to relinquish equity, and the fundraising process, particularly with VCs, is often protracted and demanding.

In response to these challenges, fintech companies have pioneered alternative, non-dilutive funding options to support startup growth. Tailored for startups with established product-market fit, predictable revenues, and the need for working capital, non-dilutive financing models include:

1. **Revenue-based Financing:** Involves cash advances repaid as a percentage of monthly revenues.
2. **Invoice Factoring:** Offers upfront cash for outstanding invoices at a discounted rate, mitigating late- and non-payment risks.
3. **SaaS Financing:** Funding tied to a cohort of Software as a Service (SaaS) receivables.
4. **Buy Now, Pay Later (BNPL) for Business Products & Services:** Provides short-term credit to fund expenses like cloud hosting, SaaS subscriptions, and professional fees, collaborating with both the startup and its vendor.

While some of these financing models have existed for decades, fintech innovators have introduced novel underwriting approaches, making the process more efficient. Startups are drawn to non-dilutive capital from fintech firms due to its cost-effectiveness, quicker processing times, and a lack of biases related to founder demographics. For instance, Clearco, a provider of revenue-based financing for e-commerce businesses, simplifies the application process by merely requiring applicants to connect their payment and marketing accounts. Clearco's AI-driven underwriting assesses sales metrics, ad performance, and risk metrics, delivering funding offers within 24 hours.

SaaS financing has experienced remarkable growth in the last two years, with leading fintech companies like Capchase and Pipe collectively securing around \$700 million in venture capital. Many SaaS companies, upon achieving product-market fit, encounter the need for a sustainable growth strategy. Due to cash constraints inherent in SaaS business models, VC equity becomes a common means to scale.

However, this can be a costly approach, especially to maintain positive cash flows during the payback period, usually spanning 6 to 18 months. Additionally, SaaS companies often offer significant discounts to secure customers to annual contracts, affecting their monthly recurring revenue cash flows.

Capchase and Pipe address this funding gap by analyzing SaaS companies' recurring revenue using APIs to calculate essential metrics. These metrics include customer acquisition cost, payback periods, churn, default rate, and value at risk, influencing the determination of terms, pricing, and upfront cash provided. While both Capchase and Pipe cater to SaaS companies, they employ different capital sources. Capchase relies on select investment partners offering a credit facility for SaaS financings, whereas Pipe securitizes recurring SaaS revenues on its platform, allowing institutional investors to bid on them.

<b>Company</b>	<b>Venture Capital Raised (\$M)</b>	<b>Category</b>
Previser	\$33.3	Revenue-based financing
Mondu	\$57.0	Business products & services BNPL
Hokodo	\$57.3	Business products & services BNPL
Bloom	\$307.2	SaaS financing
Pipe	\$316.0	SaaS financing
Billie	\$347.6	Business products & services BNPL
Wayflyer	\$636.2	Revenue-based financing
Capchase	\$764.6	SaaS financing
Clearco	\$955.0	Revenue-based financing

Table 6: Venture Capital Backed Non-dilutive Fin Companies

## Company Highlights

### *Bitwave*

Bitwave is a financial software solution designed to assist businesses in integrating digital assets into their financial statements and operational processes. This comprehensive platform offers features such as cryptocurrency tax management, accounting, monitoring, and compliance, empowering enterprises to efficiently handle their digital asset transactions. One of the notable challenges for businesses has been synchronizing cryptocurrency holdings with accounting systems. Bitwave addresses this issue by seamlessly reconciling blockchain transactions directly into existing accounting and ERP systems like Quickbooks, Xero, and NetSuite. This involves monitoring transactions across various digital asset sources, including wallets, exchanges, blockchain addresses, and internal/external ledgers. Recognizing that every crypto transaction can potentially be a taxable event, Bitwave calculates the cost basis and assesses the potential tax liability for each transaction, considering short- and long-term capital gains.

A distinctive feature of the Bitwave platform is its inherent support for DeFi (Decentralized Finance), allowing businesses to account for and manage taxes related to holdings in lending and liquidity pools, yield farms, and staking contracts. Notable clients currently using Bitwave's services include OpenSea, Figment, Rarible, and Messari.

Bitwave was co-founded by CEO Patrick White and COO Amy Kalnoki. Patrick White brings valuable experience, having previously founded Synata, an enterprise search engine acquired by Cisco. He has also held technical roles at Cisco, Fortify Software, and Microsoft. Amy Kalnoki's background includes marketing and sales roles at Cisco, Synata, BrightTALK, and Hearst.

Financing History In March 2021, Bitwave secured an undisclosed amount from Forum Ventures. Later in August of the same year, the company successfully raised \$7.3 million in a seed funding round, with Blockchain Capital leading the investment. Additional participants in the funding round included Nascent Ventures, XBTO Humla, Rowan Trollope, Arca, and Nima Capital. The funds obtained will be utilized to enhance software capabilities and expand the client base.

### *Celo*

Celo stands out as a mobile-first Layer-1 blockchain that is fully compatible with the Ethereum Virtual Machine (EVM). Employing a proof-of-stake consensus mechanism, this protocol facilitates faster and more cost-effective transactions compared to Ethereum. What sets Celo apart is its explicit focus on serving disadvantaged users, particularly those in developing nations equipped with low-end smartphones and basic internet connectivity. In contrast to the 256-bit public keys used by many Layer-1 blockchains, Celo's decentralized applications (dApps) uniquely require only a user's phone number for accessing services. The blockchain's streamlined architecture enables it to overcome challenges like high latency and low bandwidth, commonly encountered in other blockchains. These attributes reduce entry barriers for applications built on Celo, broadening their reach to a more extensive audience. Additionally, Celo strives to be a carbon-negative blockchain by allocating network funds to support carbon offsets. Numerous ReFi startups, including Flow Carbon, Loam, MOSS, and Regen Network, actively engage with or build on the Celo platform.

Celo was co-founded by President Rene Reinsberg, CTO Marek Olszewski, and Sepandar Kamvar, who all crossed paths during their tenure at the Massachusetts Institute of Technology. Prior to Celo, Reinsberg and Olszewski established Locu, a platform connecting local businesses with consumers. Kamvar, a board member at Locu, witnessed its acquisition by GoDaddy for \$70 million, orchestrated by financial sponsors KKR, Silver Lake, and TCV. Subsequently, Reinsberg and Olszewski spent around three years at GoDaddy, overseeing product and engineering, before departing in 2017 to co-found Celo alongside Kamvar.

### *OpenNode*

OpenNode specializes in crafting bitcoin processing infrastructure, empowering Independent Software Vendors (ISVs) and marketplaces to seamlessly integrate bitcoin payment services into their platforms. The startup offers APIs, plugins, and hosted checkout pages for platforms to accept, pay out, and invoice in bitcoin. OpenNode distinguishes itself by settling payments via the bitcoin Layer-2 blockchain, specifically the Lightning Network. This approach ensures swifter, more cost-effective, and reliable transactions. Merchants opting to embrace bitcoin as a payment method can dynamically convert it into local currencies in real time, enjoying the advantage of irreversibility in bitcoin transactions, which mitigates the risk of chargebacks. Recognized platforms such as Shopify, Substack, and Twitter leverage OpenNode to facilitate bitcoin payments.

OpenNode faces a notable challenge from payfacs and other payment processors entering the realm of bitcoin payments. Despite the gradual response of these payment providers to cryptocurrency trends, there exists the potential for a shift in the near future. Noteworthy in this context is Stripe, which, after discontinuing its bitcoin payments product in 2018, introduced a crypto product in early Q2 2022. This new offering enables Stripe's merchants to accept payments in the USDC stablecoin.



OpenNode was co-founded by CEO Afnan Rahman and CTO Joao Almeida, both of whom previously collaborated at Masen, a bitcoin-centric design and technology studio founded by Rahman. Joshua Held, responsible for strategy at OpenNode, previously spearheaded strategy at HERBL, a supply chain platform for the cannabis industry that raised \$122.0 million in VC funding.

**Financing History** OpenNode has successfully completed various investment rounds, including a \$250,000 angel round, a \$1.3 million seed round from Draper Associates in December 2018, a \$3.5 million early-stage Venture Capital round, and \$20.0 million in Series A round led by “Kingsway Capital” in February 2022. Notable participation in the round includes Twitter, Avon Ventures, Visary Capital, and Tim Draper.

### *Percent*

Percent stands as a private credit investment platform catering to both individual and institutional investors. By unlocking access to a historically elusive and opaque \$1.2 trillion asset class, the platform addresses the growing demand for private credit investment. In recent years, this demand has surged due to the attractive features of private credit, such as being a high-yield asset class with investor protections (covenants). Furthermore, it is perceived as having inflation protection owing to floating rates and is typically characterized by lower volatility attributed to its illiquidity. The Percent platform acts as a nexus, connecting borrowers, investors, and underwriters, thereby streamlining the private credit deal process for all stakeholders involved.

For borrowers, the platform offers real-time market data, enabling them to assess their offerings against others in the market, including terms and asset performance. Once a borrower's deal goes live, they can gauge investor interest through a live view of the order book during syndication. Investors with platform access can explore all live deals and invest in some transactions with as little as \$1,000. Underwriters benefit from a comprehensive platform that supports the entire deal process, from sourcing and structuring to syndicating and servicing.

In June 2022, Percent entered into a strategic partnership with DeFi private credit protocol Anzen to introduce a Credit Default Swap (CDS)-like protection for certain assets on the Percent platform. Anzen contributes loss protection through its stablecoin reserve treasury and staking pools. Over the past 12 months, Percent has demonstrated robust growth, approximately doubling the volume of private credit transactions on its platform to surpass \$900 million. During the same period, there was a threefold increase in revenue and annual recurring revenue.

Percent was founded by CEO Nelson Chu, whose professional background includes prior roles at Bank of America in wealth management and at BlackRock in fixed income. Additionally, Chu is a co-founder of MySupport, a platform focused on assisting seniors and individuals with disabilities on Medicaid, which was later acquired by RISE Services.

### *Parafin*

Parafin introduces a seamless financing solution for e-commerce sellers, collaborating with various platforms to provide one-click access to business loans ranging from \$500 to \$250,000. Leveraging seller data available on these platforms, Parafin employs advanced underwriting processes to streamline the loan approval process. E-commerce platforms incorporating these loans for their sellers stand to benefit from increased platform retention, an additional revenue stream through fees from Parafin, and a



potential surge in Gross Merchandise Value (GMV) as sellers utilize the loans to expand their businesses. While the "Buy Now, Pay Later" (BNPL) model has witnessed substantial growth, the momentum behind "Grow Now, Pay Later" solutions, specifically catering to the merchant side of e-commerce, is anticipated to continue gaining momentum. Parafin faces competition from industry counterparts like Clearco, Lighter Capital, Pipe, and Capchase.

Founded in 2020 and headquartered in San Francisco, CA, Parafin has secured a total of \$38.0 million in funding, with its latest Series A financing round raising \$34.0 million. The company achieved a post-money valuation of \$180.2 million in its most recent financing. Ribbit Capital and Thrive Capital are the lead investors supporting Parafin's innovative approach.

The founders of Parafin initially connected during their tenure at Robinhood (NASDAQ: HOOD). CEO Sahill Poddar, who served as the Head of Machine Learning Engineering at Robinhood for four years, departed to establish Parafin. Poddar brings a wealth of experience from previous roles at Facebook (NASDAQ: FB) and the ad platform LiquidM. Vineet Goel, the Chief Product Officer, also spent four years at Robinhood as the Head of Risk and Fraud Engineering. President Ralph Furman, a former data scientist at Robinhood and Chief Scientist at Numerai, completes the leadership team.





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