




16 April 2018

reinventure.com.au

A blurred background image of a business meeting. A person in a suit is seated at a wooden table with a laptop open in front of them. The scene is dimly lit, with a warm light source on the left creating a soft glow.

Reinventure Fund CVC Model and views on FinTech Disruption



Bank CVC strategy and FinTech Disruption in Asia

- Reinventure CVC and Westpac
 - Strategic responses to Disruption
 - Building Ecosystem as offence/defense
- Three Waves of Disruption
 - Ripple 0 – Classic FinTech sustaining not disruptive
 - Wave 1 – Modularizing the fintech stack & embedding financial services
 - Wave 2 – Global consumer platforms extending into finance
 - Wave 3 – Blockchain Web 3.0 busting consumer monopolies

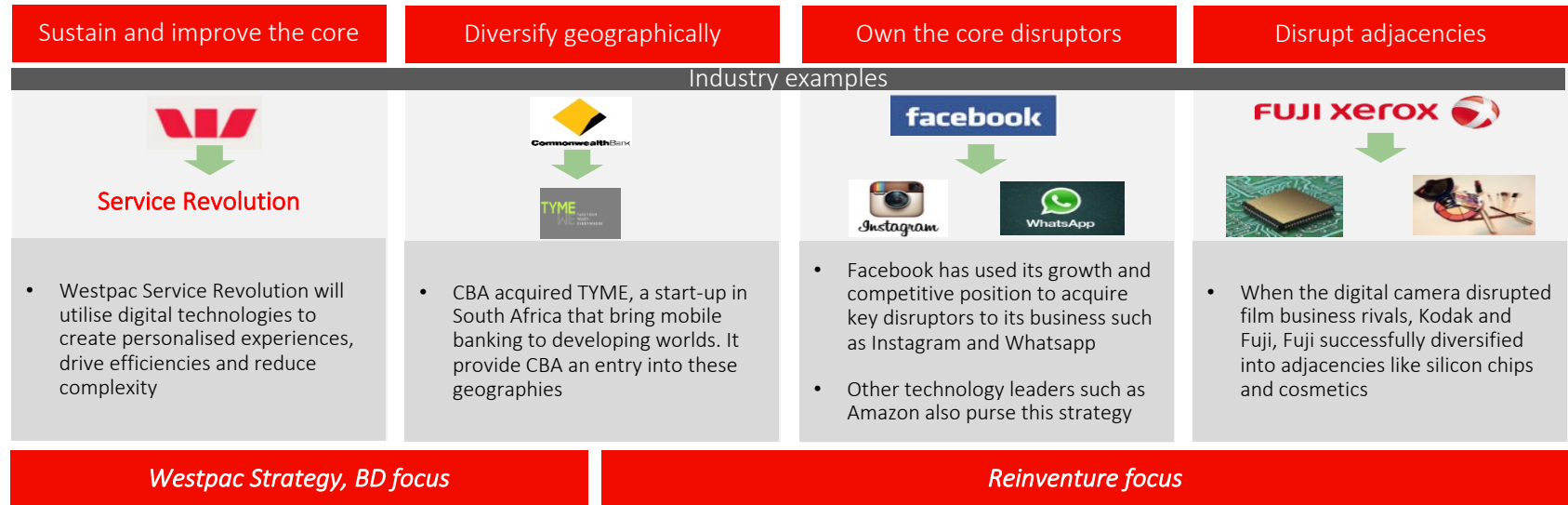


Fund Strategy

There are four main ways to deal with disruptive forces in the market

Disruption collapses markets either partially or completely.

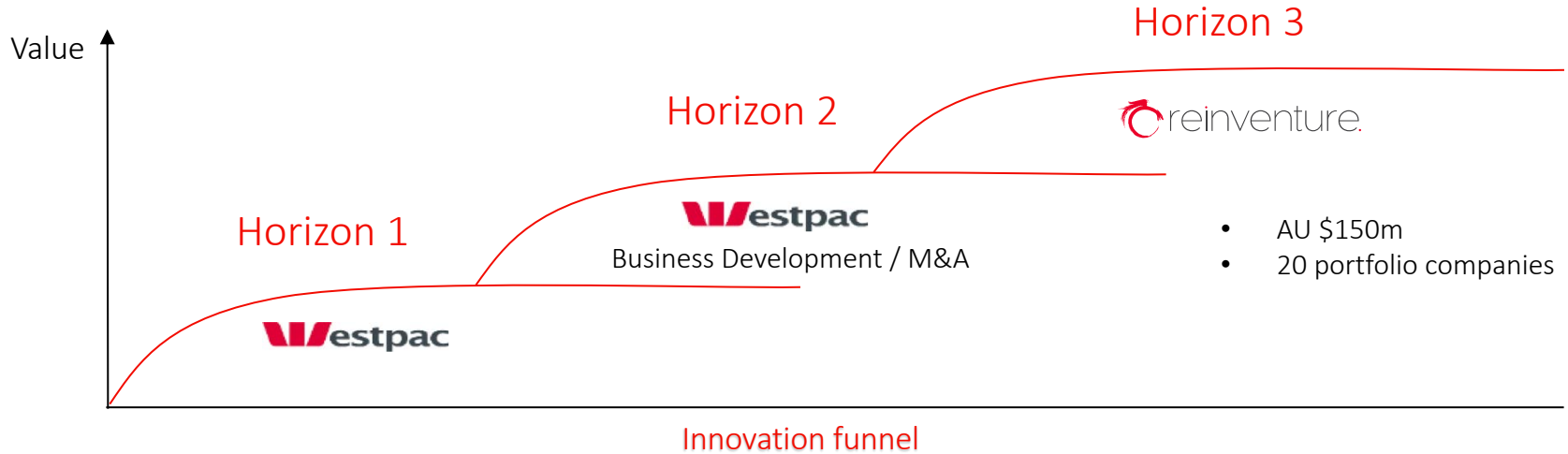
The four possible responses are:





Fund Strategy

Reinventure is focused on Horizon 3 opportunities



- AU \$150m
- 20 portfolio companies

1. Defend/improve the core

- Executing to defend and increase profitability of existing business
- Focus lies in better serving existing customers / market and driving efficiencies (**sustaining innovation**)

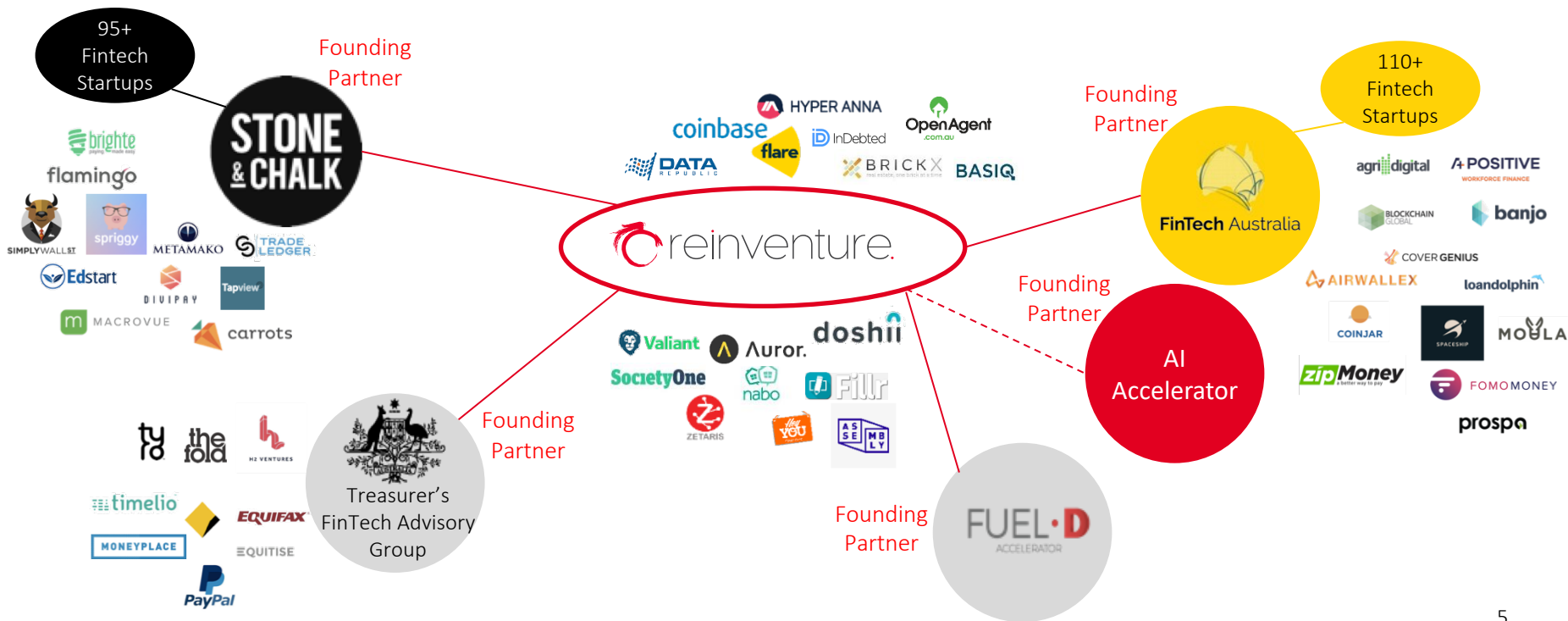
2. Expand the core by adding new profit platforms (take options)

1. grown from scratch (**sustaining**) or
2. acquired (**sustaining or disruptive**)

3. Create options

- Uncovering, investing in and nurturing options over core disruptors and adjacencies (**disruptive opportunities**)
- Should be physically & financially independent from core corporate business to align goals and incentives

Reinventure has built an entire FinTech ecosystem securing us privileged access to ventures and to regulatory support





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Classic Fintech stalls indicating its sustaining/lacking a moat

Mobile banking v1

Robo/ Wealth

Lending



Sold to BBVA for US\$110M
2014, US\$60M writeoff



White labelling and
reconfigured for advisors



White labelling for
JPMorganChase



Pivoted to white labelling for
banks



Down round \$700M -> \$500

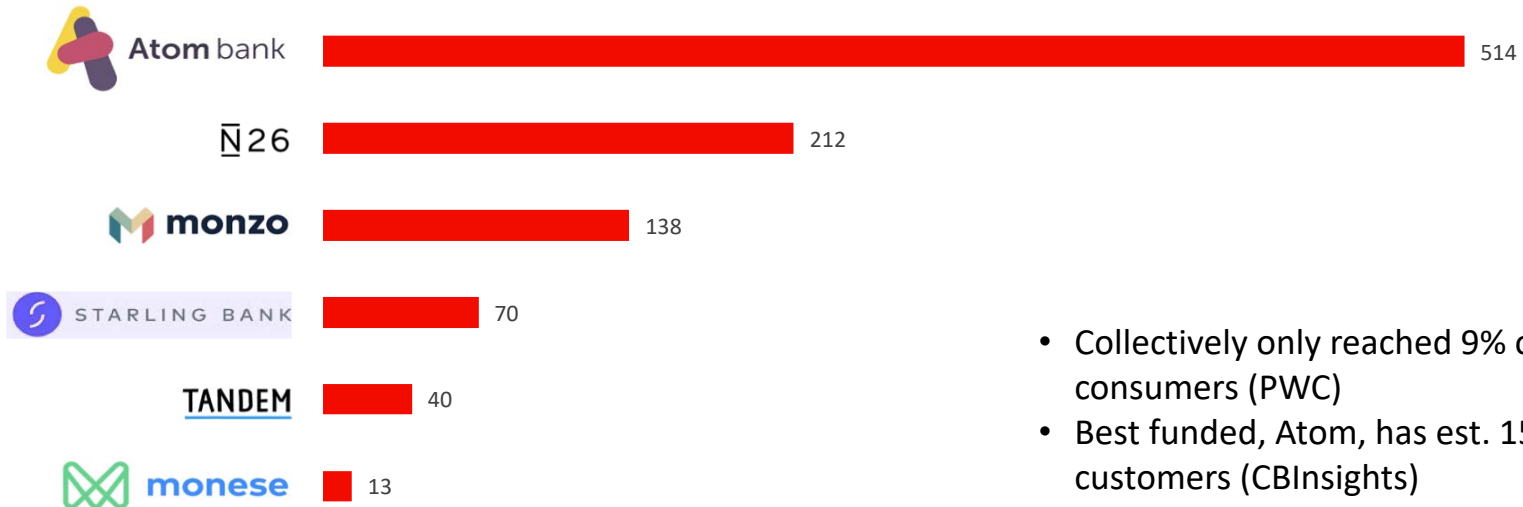


White labelling for multiple
banks



Digital only Challenger or Neo Banks also look sustaining

Notable Challenger Bank Funding (US\$M)



Source: CBS Insights

- Collectively only reached 9% of consumers (PWC)
- Best funded, Atom, has est. 150K customers (CBInsights)
- Monzo losing \$100/customer/year



Classic Fintech - sustaining

Incumbents probably waiting to see whether economics of 'challengers' bear out before acquiring. With no network effect for most, there is no hurry

Artificial intelligence	White-label banking	Lending/ Credit	Online banking	Payments	Financial management	Pricing tool	Real estate	Student loan refinancing	Trading	Wealth
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BBVA Compass























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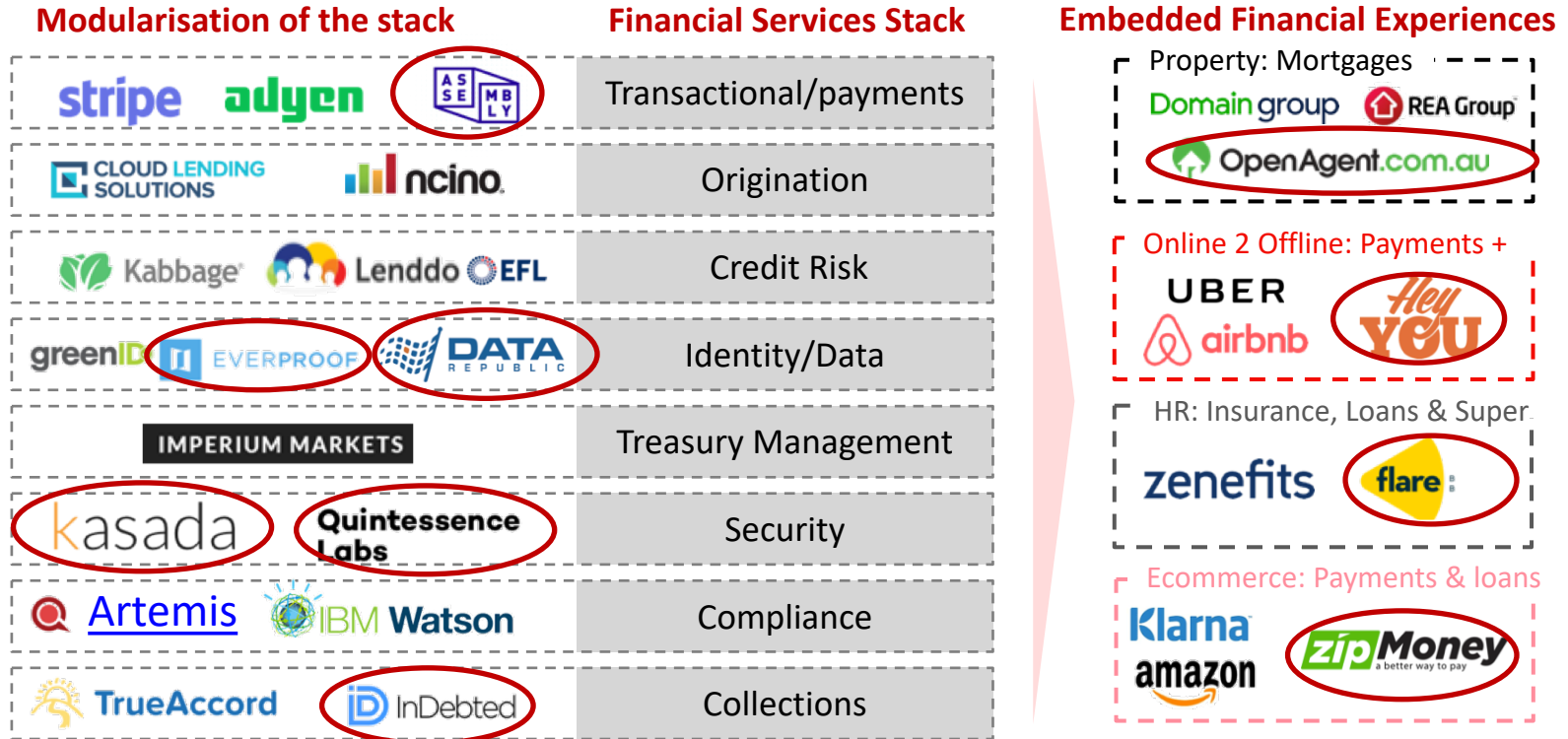


The stack is modularizing with profit moving to layers with (data) network effects

Modularisation of the stack	Financial Services Stack
  	Transactional/payments
 	Origination
  	Credit Risk
  	Identity/Data
	Treasury Management
 	Security
 	Compliance
 	Collections



Enabling niche consumer platforms to peel off consumers with embedded financial services for niche use cases





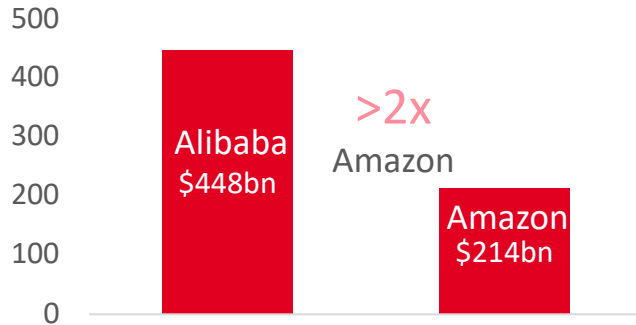
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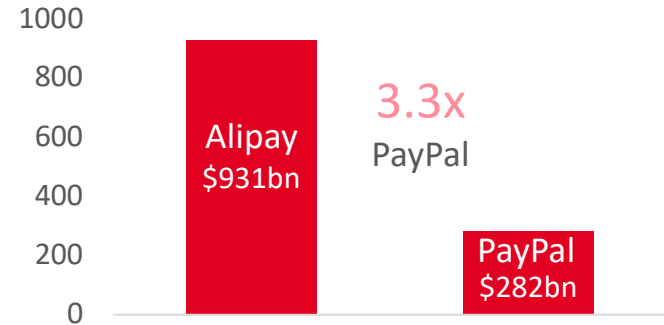


Chinese digital giants have their 'winner takes all' consumer networks initially to payments

Alibaba GMV larger than Amazon, 2015 (\$bn)



Alipay TPV bigger than PayPal, 2015 (\$bn)



Chinese mobile payments app market share, 2016 Q4 (%)





And from payments into investing and lending

Yuebao



Investing

Founded in 2013, Ant's investing arm grew AUM exponentially to reach over RMB500 billion (\$72 billion) in just a few quarters

Sesame Credit



芝麻信用

Credit Bureau






Ant Financial's Independent credit bureau (Sesame score) based on users digital footprint can be for deferred payments including travel, hotels & shopping and applying for consumer credit



Chinese fintechs have reached a disruptive tipping point

Percentage of banking/financial customers using FinTech services

Service Type	China	India	Singapore	Indonesia	Malaysia	Thailand
Payments / remittances	40%	20%	4%	1%	1%	1%
Lending	14%	5%	2%	2%	2%	2%
Personal wealth management	5%	3%	1%	2%	1%	1%
Insurance	35%	2%	2%	1%	1%	1%

	Highly Disruptive
	Material Threat
	Watch List
	Emerging Threat
	Remote Possibility of disruption



They have set their sights on the next frontier, South East Asia

	2015	2016	2017
			 
			   
			 
			
			

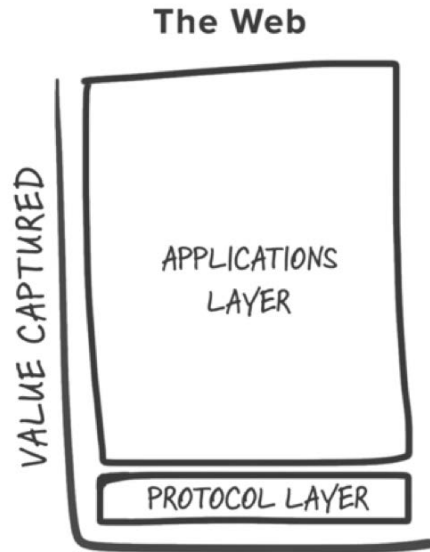


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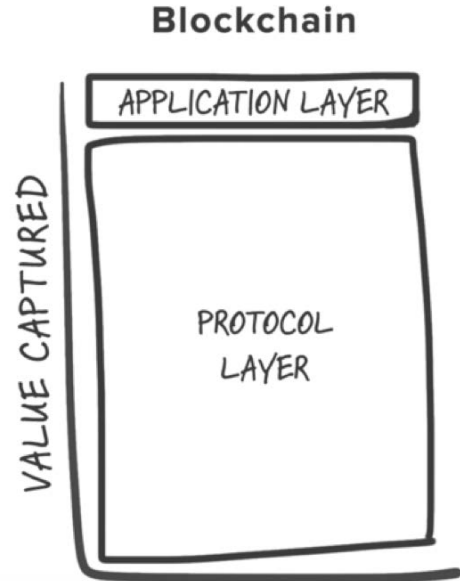
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While the internet is dominated by consumer layer giants, in blockchain moves value to the protocol

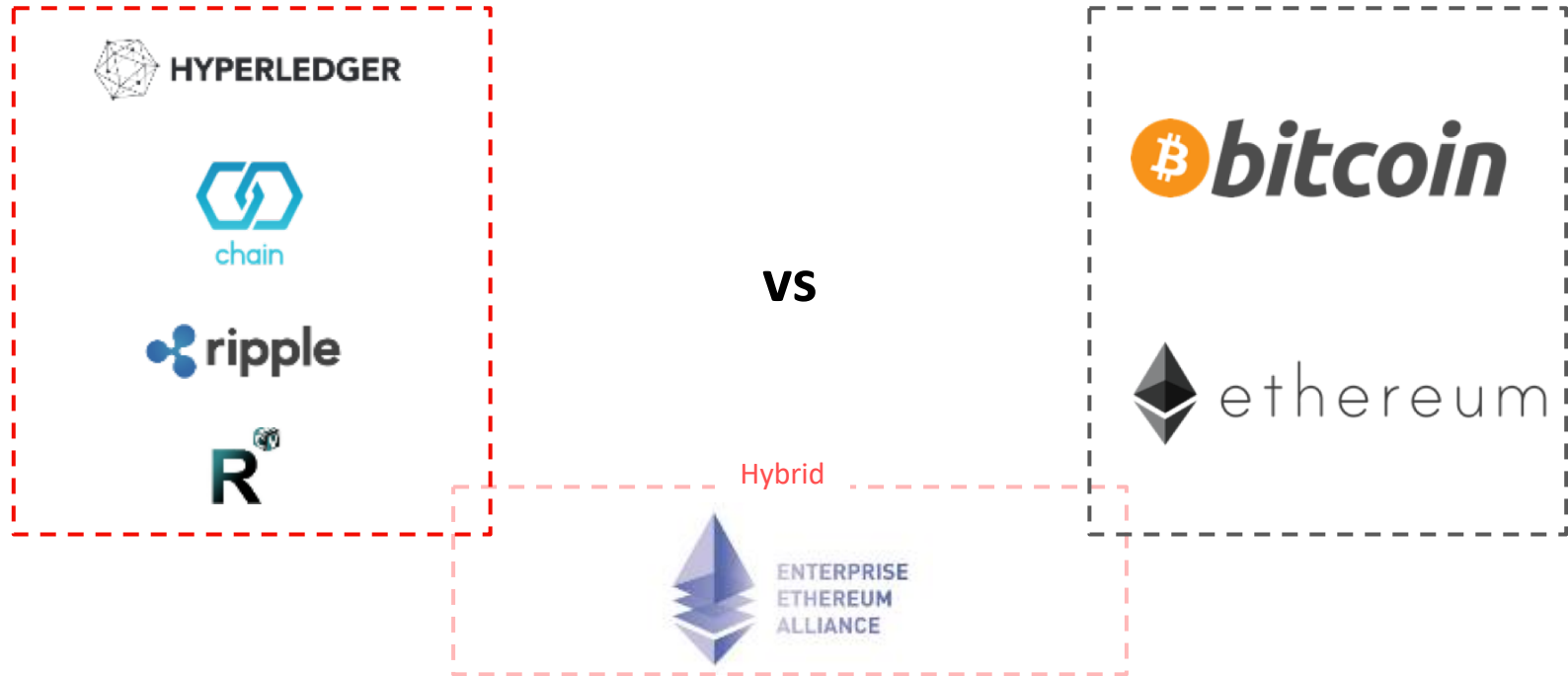


1. Reducing barriers to entry via shared data layer
2. Incentivising development through token appreciation
3. Incentivising adoption through token appreciation





Battle is occurring in Blockchain





Obstacles to disruption

Tradeoff between trust vs. cost/scalability

	Permissioned	Permissionless
Privacy	Known participants Anonymous transactions	Bitcoin Pseudonymous Zcash, monero solving privacy
Control	Centrally regulated	Impervious to regulation (China) Regulation a block to some use cases
Currency	Supports fiat currencies	Bitcoin emerging as store of value but other use cases stalled
Innovation	More limited albeit well funded ecosystem	Greater innovation through an unlimited ecosystem
Energy consumption	Likely to be more energy efficient	Proof of work model massively energy inefficient
Scalability	More scalable	Bumping up against scalability



Permissionless can reach places permissioned can't: non-customers of the existing financial system

**Machine
Payable Web**
21 co

Black Markets
\$1.81 trillion

Unbanked
\$2.5bn

**Volatile
currencies**
Argentina,
Venezuela &
Zimbabwe

**Capital
controls**
China & Russia