

ROSENBLATT
SECURITIES INC.

FINTECH ISSUES AND TRENDS

What to Expect in 2019



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SECURITIES INC.

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INFY
InfoSys Listed
↓ 16.0500
0.00 ↑ 0.38x
16.05
32
16.06
7

109,147
VOL

16.03
ASK

16.07
BID

16.03
LAST

16.04
PREV

Infosys®

INFY
LISTED
NYSE

2,296,993,000
MARKET CAP

NYC
MARKET-MAKERS

INFY
InfoSys Listed
↓ 16.0500
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109,147
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Infosys®

INFY
LISTED
NYSE

We started as an independent NYSE floor broker in 1979 with a simple goal:

HELP CLIENTS PROSPER WITH CONFLICT-FREE ADVICE AND EXECUTION SERVICES

Since then, we have adapted, expanded and diversified to become a leading agency brokerage, investment-banking and research boutique. But we remain committed to our founding principles in everything we do

Our Services



Trading

We provide **conflict-free, agency-only** equity execution service to many of the **leading institutional investors across US and international markets**

As the **biggest broker on the NYSE floor**, we provide clients access to unique advantages available to floor broker community

With one of the most experienced team of high-touch traders, we **deliver best quality execution in any market conditions**



Market Structure

Rosenblatt Securities **helped pioneer the field of market-structure analysis more than 15 years ago**

We give clients the conflict free intelligence they need to navigate and thrive in complex and fragmented capital markets



Investment Banking

Rosenblatt's FinTech IB team was established more than 10 years ago and since then, we have come a long way in establishing unparalleled sector expertise

Featured in Institutional Investor's FinTech Finance 40 rankings, our team brings unequaled domain expertise and a laser focus on financial technology

As trusted advisers, we help private and public companies with capital raising, M&A and business development. And we get past the industry hype by fostering education and networking within the FinTech community

As part of our practice, every year, we host annual Financial Technologies Summit showcasing some of the most exciting FinTech companies



Fundamental Research

Our team of veteran equity research analysts **provide expert insights and corporate-access opportunities for investors in the TMT and FinTech sectors**

In addition to our inhouse research capabilities, we also have **exclusive relationships with brokers from over a dozen emerging- and frontier-markets**



Technology Solutions

Our analytics team, led by a veteran former buy-side quant, **approaches execution with a practitioner's perspective and applies world-class data science**. Our visualization expert has earned the designation of Alteryx ACE and was the first-ever Tableau Zen Master

Our team has developed tools that are **used for pre-trade, trade and post-trade analysis** by our internal trading team as well as by the largest investment banks and asset managers

Full Service Advisory Offering



STRATEGIC MANAGEMENT CONSULTING

- Market Entry
- Exit Strategies
- Peer Group Benchmarking
- Industry / Competitive Analysis
- Product Validation
- Channel Partner Development
- Customer Introduction



ADVISORY SERVICES

- M&A
- Divestitures
- Restructuring
- Fairness Opinions
- Due Diligence
- Valuations
- Transaction Structuring
- Negotiations



CAPITAL RAISING

- Private Equity
- Private Debt
- Initial Public Offerings (IPO)
- Buybacks
- Follow-On Offerings

Our Distinguished Stripes

Unparalleled Domain Expertise

- Our team brings focused coverage of capital markets and financial technology firms across asset classes to address corporate finance needs
- Trusted advisers on dozens of deals and we go beyond just executing – with our annual Financial Technologies Summit (FTS) and Global Exchange Leader Conference (GELC) we're committed to advising and educating our clients
- Our deep domain expertise coupled with superior attention to detail provides us unique insights to uncover often over looked existing complexities and nuances

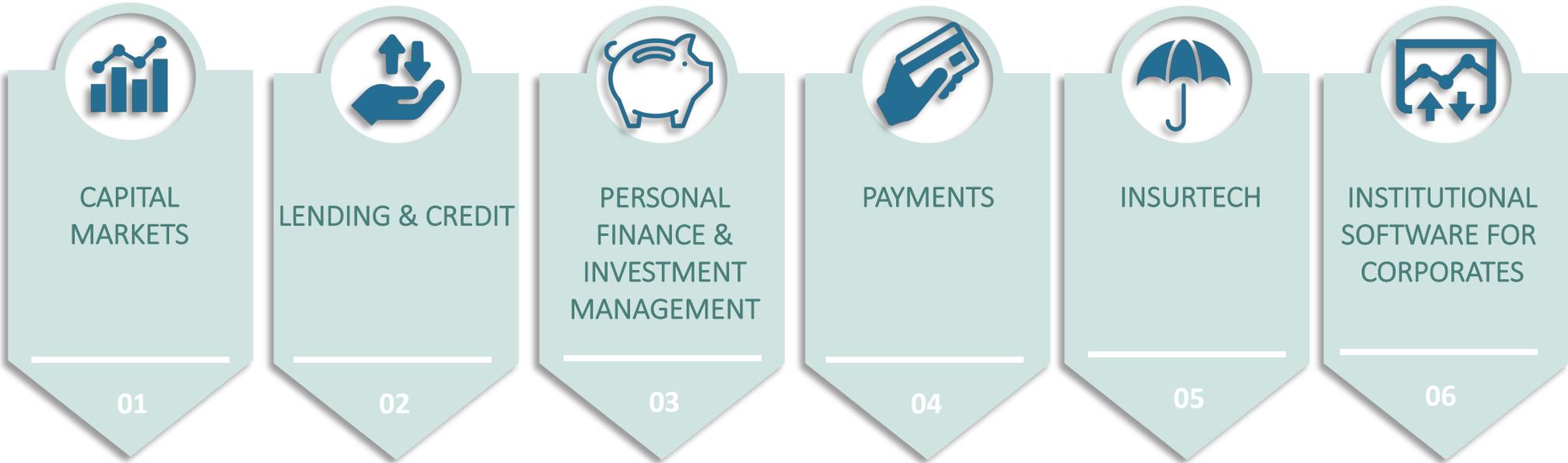
Deep Strategic & Financial Relationships

- Our investment banking, research and consulting efforts have fostered deep ties with many of the largest financial service institutions and private equity firms across North America, EMEA and Asia-Pacific
- Our brokerage operations have allowed us to develop extensive relationships with leading institutional investors and portfolio managers
- In addition, we have strong relationships with a portfolio of global bank partners for offerings that require balance sheet commitment and institutional underwriting

Tailored Execution Experience

- We pride ourselves in creating solutions that address individual client's needs; always shying away from cookie cutter solutions

Sectors We Cover



Sectors We Cover - Subsectors

CAPITAL MARKETS

- Exchanges and trading venues
- Institutional / inter-broker dealers
- Market makers and quant trading firms
- Retail brokers
- Institutional trading technologies
- Capital markets data and data analytics
- Financial media and information
- Outsourced financial s/w & solutions



PERSONAL FINANCE & INVESTMENT MANG.

- Automated investment managers
- Budgeting and financial management solutions
- Online / mobile banking



LENDING & CREDIT

- Personal finance lender
- Mortgage finance lender
- SME finance lender
- P2P lending
- Lending data, analytics and software solutions



PAYMENTS

- Card networks
- Merchant acquirers and processors
- POS and payment infrastructure
- P2P transfers and remittances
- Online payment processors
- Loyalty and gift card solutions
- Digital currencies / digital assets



INSTITUTIONAL SOFTWARE FOR CORP.

- HR, payroll and benefits solutions
- Corporate finance and accounting solutions
- Investor relation solutions
- Compliance, surveillance and risk management
- Cyber / network security
- Blockchain



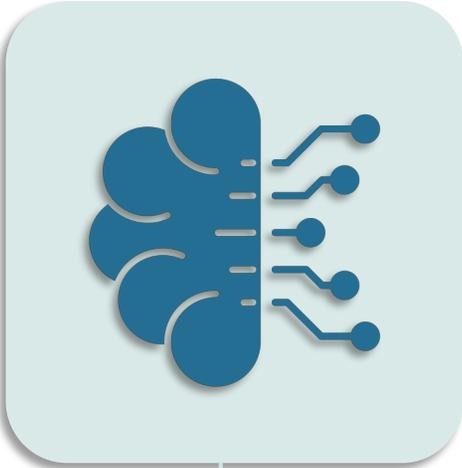
INSURTECH

- Health insurance
- Auto and Property & Casualty insurance
- Life & Annuity insurance
- Small and Medium Business insurance
- Administration and claims management solutions
- Insurance software and analytics



Technologies We Cover

AI / ML



BLOCKCHAIN



CYBER SECURITY



Select Transactions



Mergers and Acquisitions



Acquisition of



ETF and Wholesale
Market Making Business

Advisor



Acquisition of



Advisor



Acquisition of



Designated Market Maker
(DMM) Trading Business

Advisor



Acquisition of



Exclusive Advisor



Acquisition of



Exclusive Advisor



Sale of Technology Assets
to



Exclusive Advisor to
receiver of the



Acquisition of



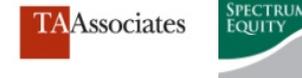
Introducing Agent



Acquisition of



Exclusive Advisor



Acquisition of Minority
Stakes in



Exclusive Advisor



Sale to



Advisor



What Happened to Disruption in The Last 5 Years...

After years of threats from FinTech startups, large firms are still standing strong! Disruption is dead!



Wait a Second...

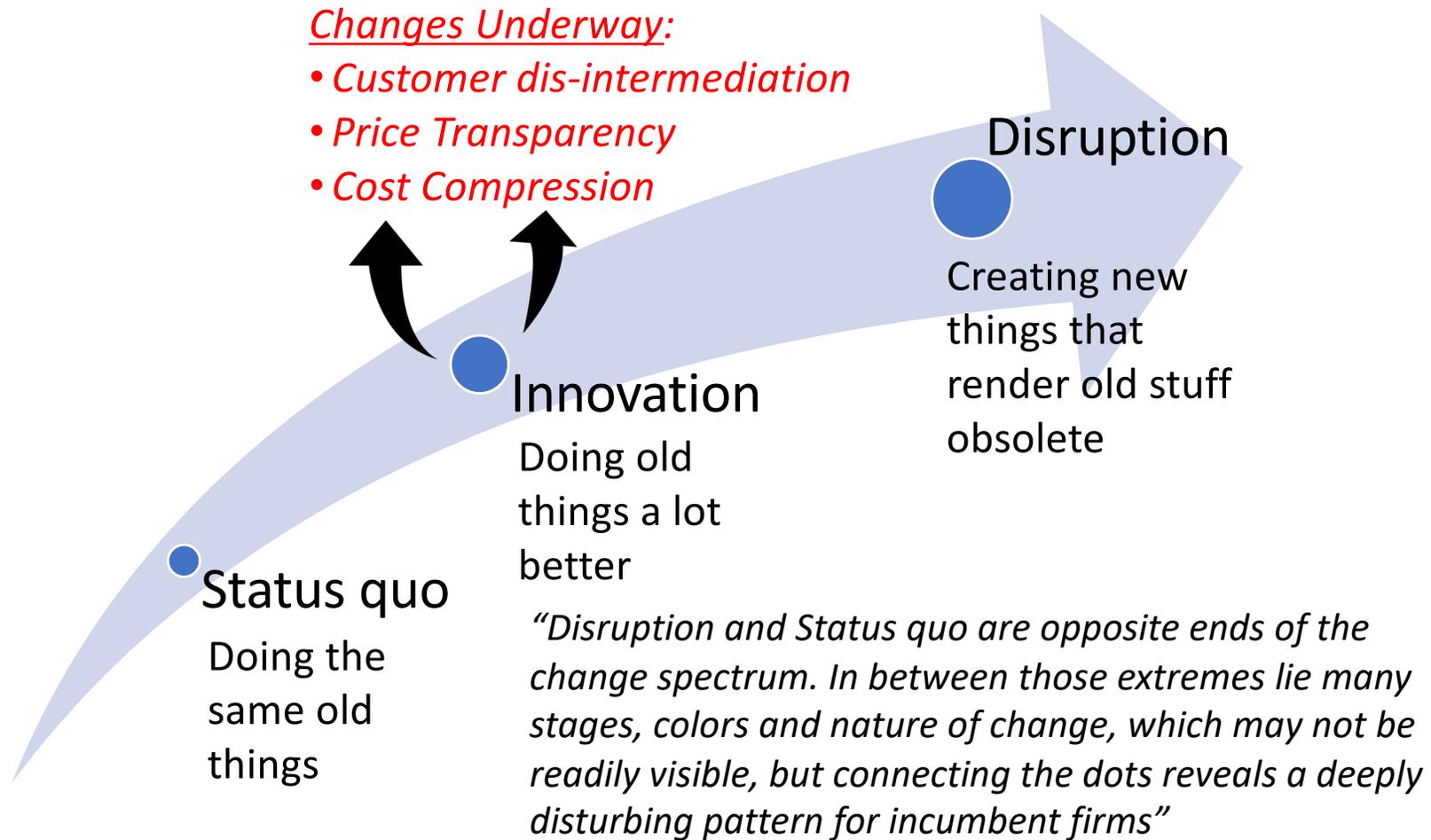
Subtle changes are happening, mostly bad for incumbents.



They risk losing 1) market power, 2) profitability, 3) brand identity

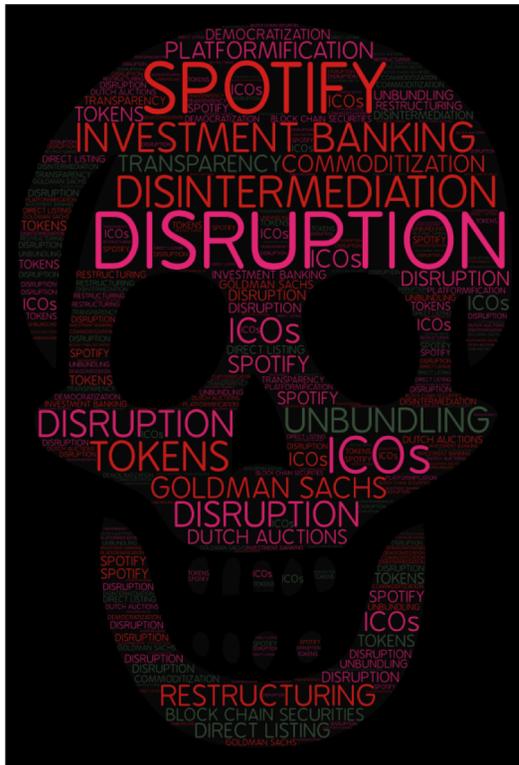
We Must Widen Our Lens...

Sheer disruption hasn't happened; but subtle changes are underway



1 Green Shoots of Disruption Emerge in Investment Banking

Spotify's NYSE Listing Is A Case Study In The Unbundling, Commoditization And Platformification Of Investment Banking



“This listing is another attempt to bypass traditional investment banks and the conventional underwriting model”

- Dushyant Shahrawat

See related article on Linked-in about Spotify's unique IPO:

<https://www.linkedin.com/pulse/spotify-s-nyse-listing-case-study-unbundling-banking-shahrawat-cfa/>

2

New Assets Securitized, New Securities Created

Intangible assets (IP, Trademarks, Health Records, Customer data....) can be tokenized, securitized, held on the Block chain



"...envision a time when we can securitize and monetize digital property - art, IP, your personal data, health records..."

- Bruce Pon, CEO Ascribe.io & BigchainDB



- Longer-term, this is a tremendous opportunity for Capital markets to invest in, advise on, trade and process an entirely new class of securities
- This could be the biggest new growth opportunity for the securities and investments industry, since modern Derivatives began being traded in the early 80s

3 As Value Chains Shift, Profit Pools Are Relocating



SHIFTS WITHIN VALUE CHAINS

Participants shifting position on the value chain, bypassing other players



Reinsurers jumping over (bypassing) insurance carriers to directly serve end customers

SHIFTS ACROSS VALUE CHAINS

Technology and new business models are enabling customers to switch across value chains



Investment firms offering ETF's as alternatives to Savings accounts

Source: WEF

4 Non-Financial Entrants Have Arrived, But Not in a Frontal Assault



"We are expanding Amazon Lending... by partnering with banks so we can use their expertise, while they can take and manage the entire credit risk."

- Jeff Bezos

Why Worry About Digital Entrants in Finance?

They won't "disrupt" incumbents, but make them "less relevant"

- ① They will erode the power of big financial brands, deciding their fate on their platforms; and not by the institution's marketing efforts
- ② Enabling transactions on their platform, gives them crucial consumer data, 'stealing' this away from the financial firm
- ③ In time, the incumbent becomes a utility. Less relevant to a customer's life... Brand and trust takes a hit... Market power deteriorates...

5 Don't Forget About Foreign Competitors

China's BATs have set the pace worldwide, from India to South America



“If Walmart wants 10,000 new customers, you’ve to build a new warehouse.

And for me? Two servers”

- Alibaba’s CEO Jack Ma, WEF 2015

Financial Times, Aug 24, 2018

Retail

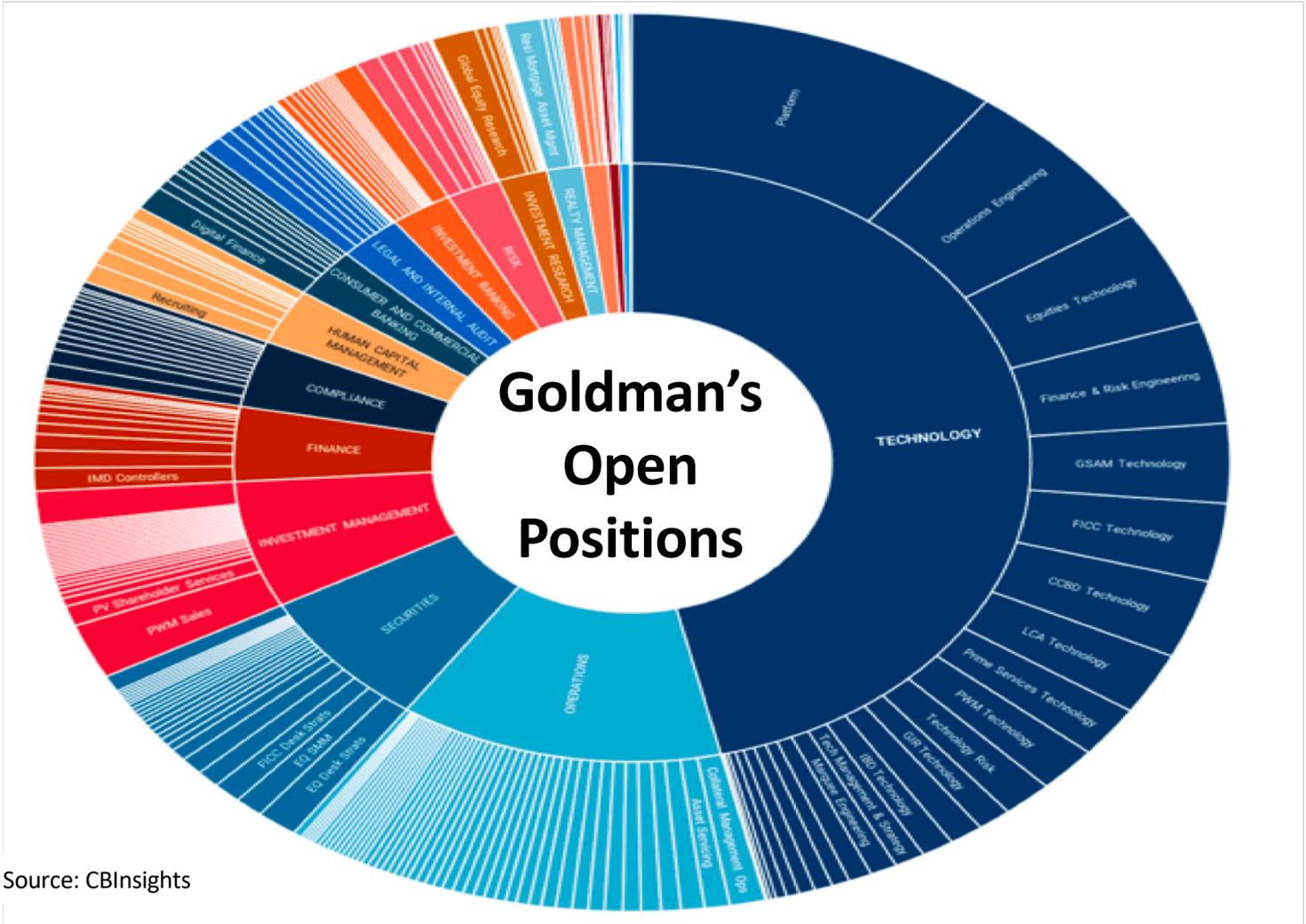
Alibaba sales surge 61%

- \$750Bill in Gross Sales on platform
- \$8.7Tr in Payments via Alipay
- \$31bn in Sales on Singles Day
- \$248Bill in Yu’E Bao fund

6

Finance is Losing the Talent War to Other Industries

Building the modern financial company requires high quality talent, but such talent is walking out the door, and into other industries

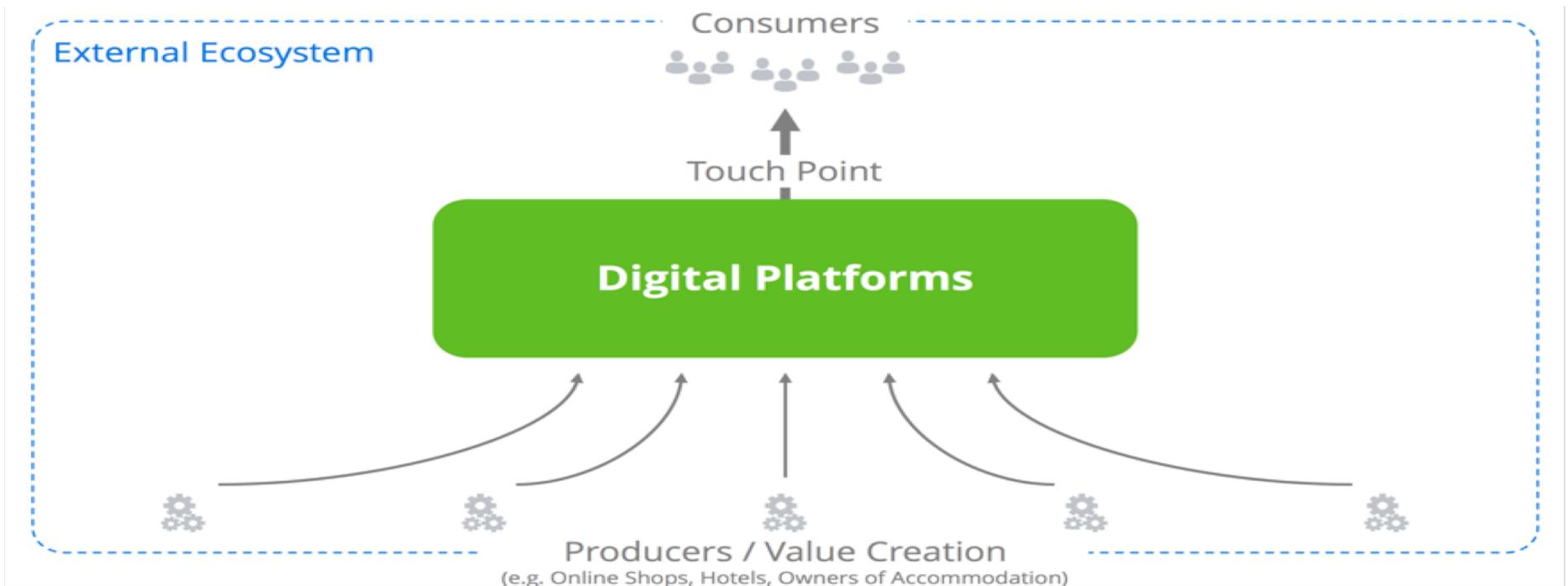


Source: CBInsights

7

Value Creation is Shifting From Products & Pipes to Platforms

Thru Network effects, Platforms are creating and capturing value with very limited assets required



Financial Platforms Have Grown Slowly Due to Regulatory Pushback and Consumer Conservatism. But This Is Changing...



- Enabled new ways of making payments
 - Creating new categories of merchants, enabling commerce
-



- Leveraging contextual data to drive new transactions
 - ShopThis! allows magazine readers to click on items they are seeing in an app
-



- P2P lending platforms use Alternative data to predict default, fraud
-



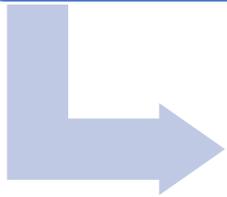
- Vodafone subsidiary in sub-Saharan Africa using people's mobile phones to give access to financial services. 400 mill people who were cut out of banking until now...

8

Plug and Play Services Weaken Incumbents, Hurting Profitability and Competitive Positioning

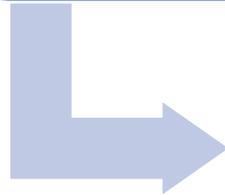
PLUG & PLAY
EMERGES

- Tech allows plug and play services to be swapped in/out quickly



FINTECHS
ATTACK
INDIVIDUAL
SERVICES

- Startups use this technology and attack individual services offered by the Universal Bank



UNBUNDLING
HAPPENS

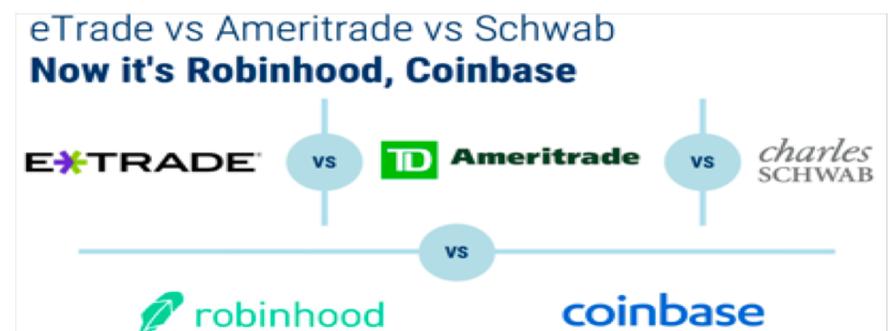
- The cross-subsidy Universal banking model gets weakened

There Are Even More Changes Underway...

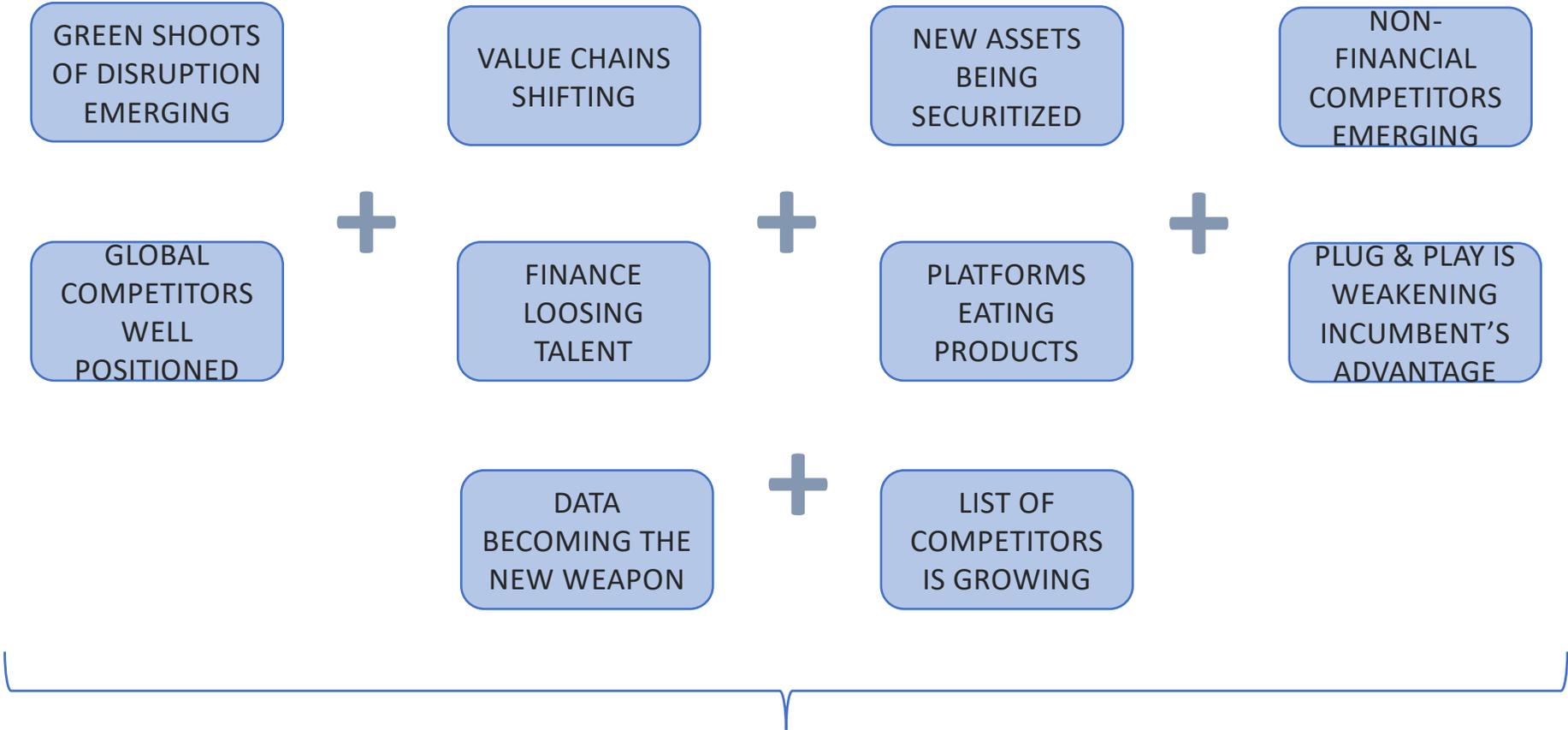
- 9 Data will be the asset, drive market power, and new business models. Problem is: Non-financials have the Nets to capture it, they're patenting these methods, learning to manage it, and building new revenue streams with it



- 10 Firms are not staying in their lanes anymore. New technologies and business models are creating competitors out of friends, from unconventional places.



Combining All These Changes, Reveals a Disturbing Picture



PRESSURE ON INCUMBENTS, ASSAULT ON STATUS QUO,

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