

M13

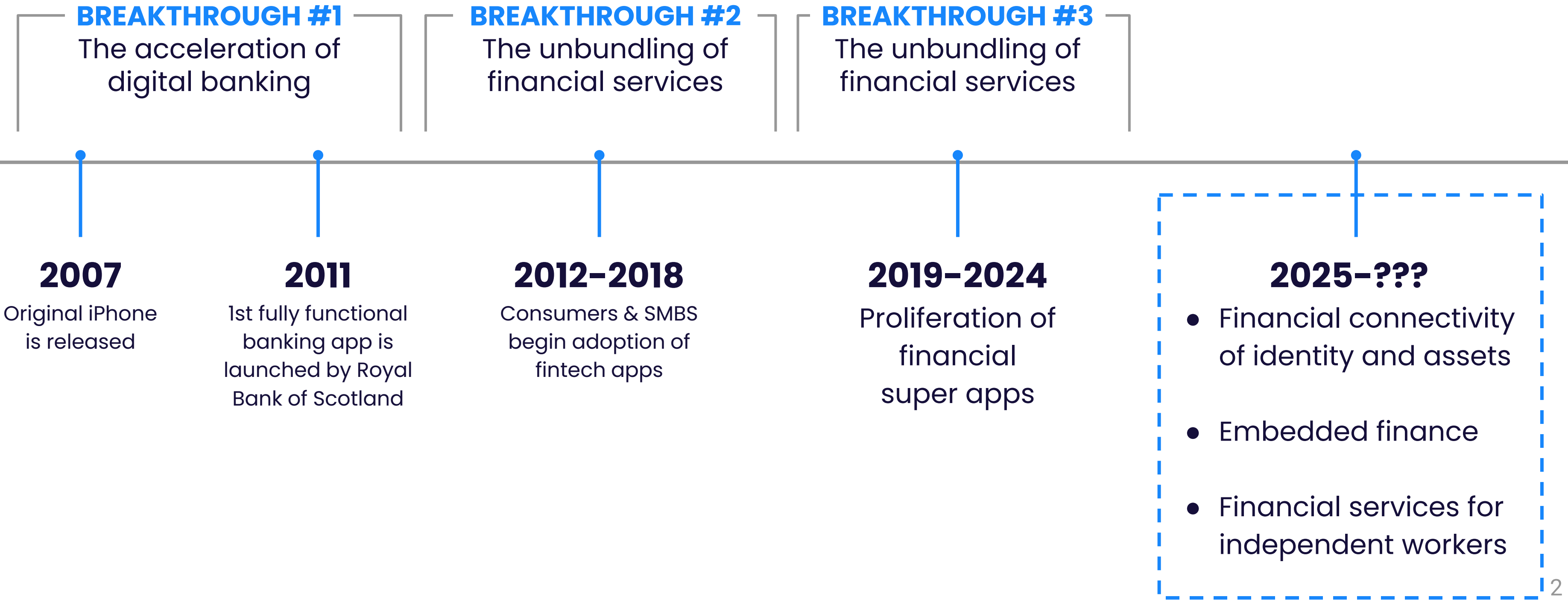
Innovation in Digital Wallets & Financial Super Apps

By Karl Alomar, Managing Partner, M13

**Brighter
Together**

Messier 13 (or M13) is one of the brightest star clusters in the northern sky. It's full of remarkable individual stars. But when those stars come together, they create something that's truly greater than the sum of its parts.

The evolution of Fintech Innovation



Breakthrough #1: The acceleration of digital banking

Trigger:

2007 iPhone release
creates a new paradigm for
consumers

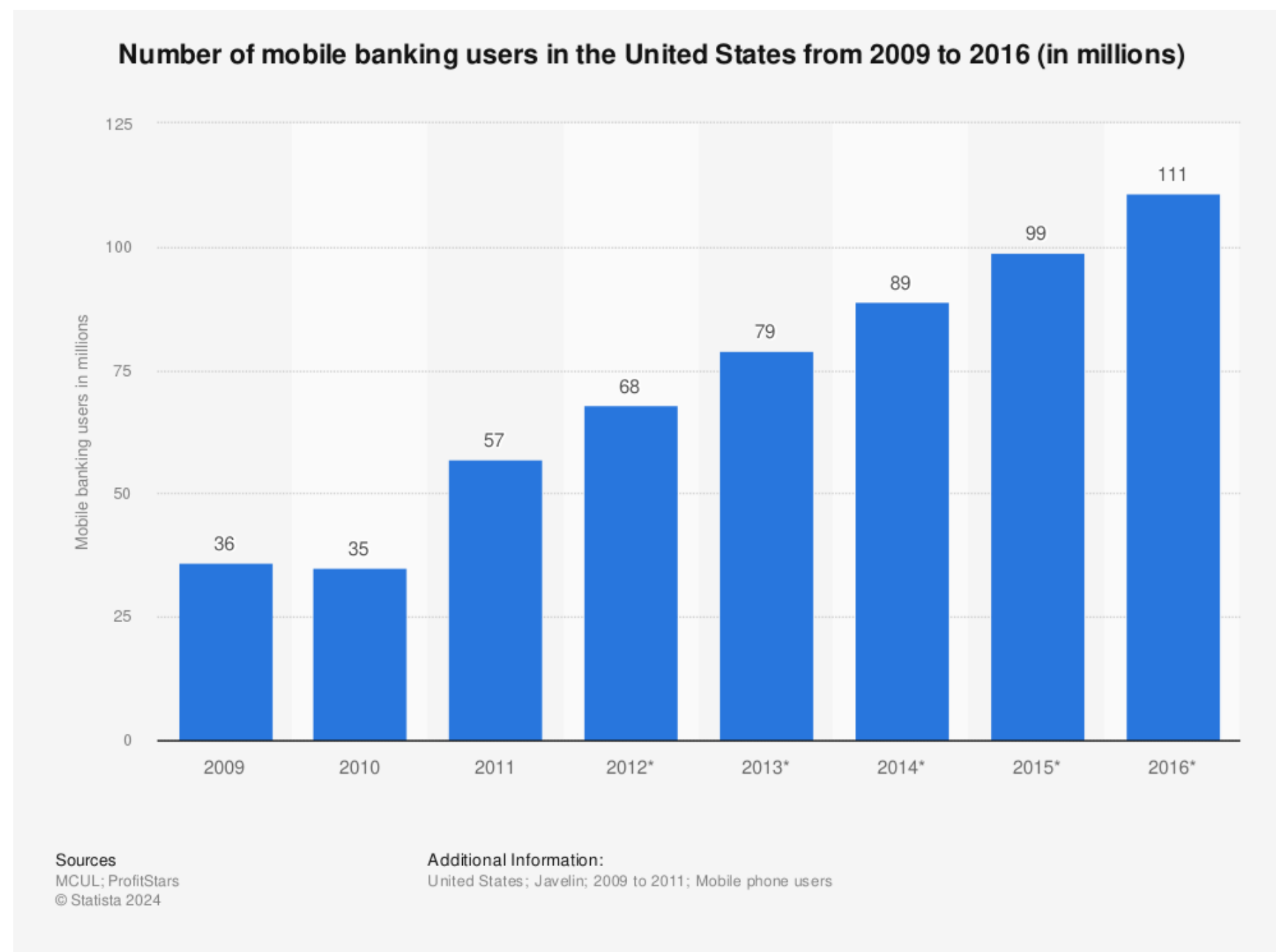
2011 first banking app launch
(RBS)



Breakthrough #1: The acceleration of digital banking

Implications:

- Relevance of high street banking diminishes
- Early digital apps provided limited services but by 2016 > 100M Americans used mobile banking



Breakthrough #1: The acceleration of digital banking

Opportunities:

Over this period large retail banks launched digital banking services

This era of digitization opens the door for significant innovation by non bank businesses

Key logos



2014



2012



2012



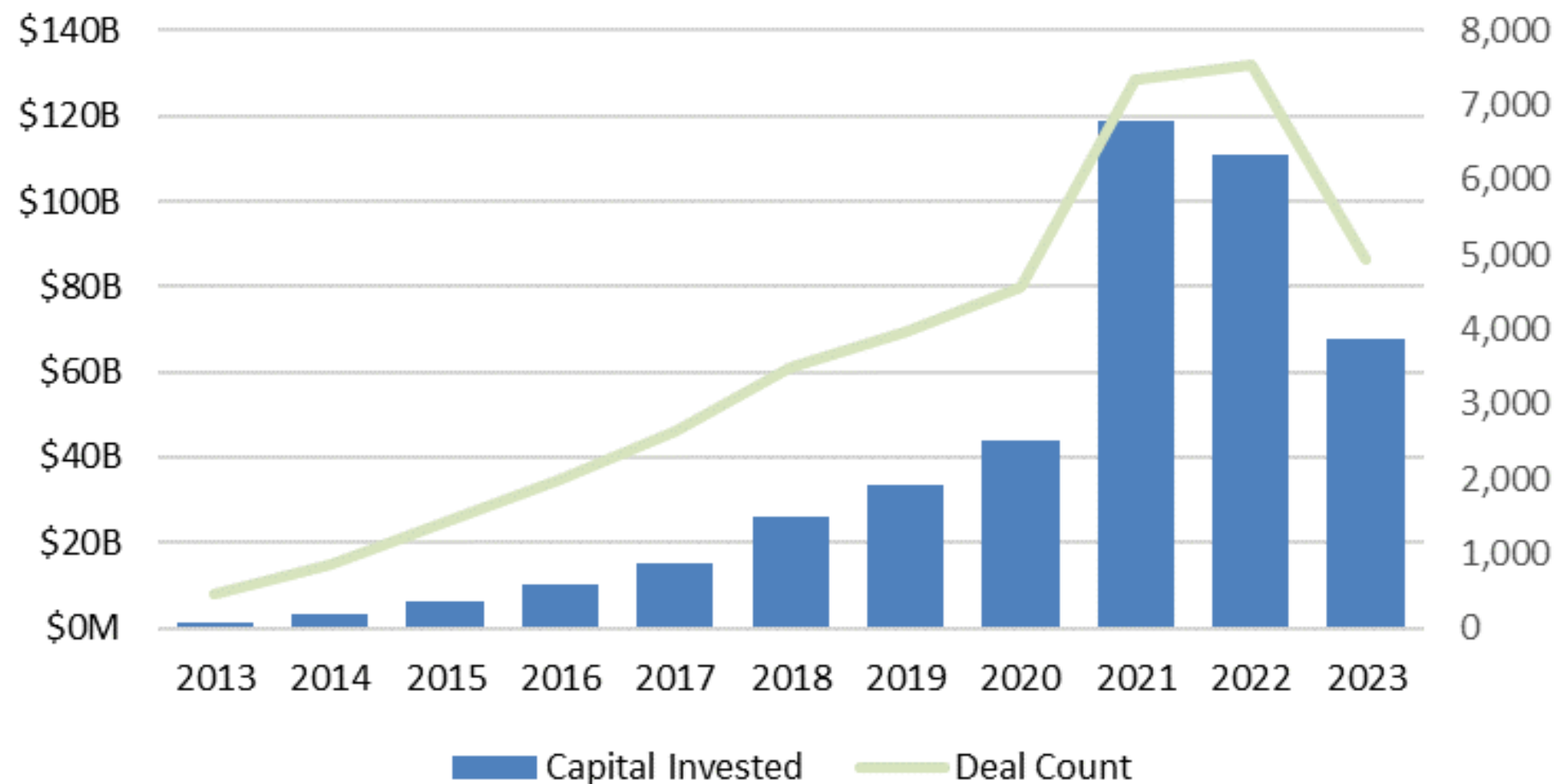
2015

Breakthrough #2: The unbundling of financial services

Trigger:

Digitalized banking opens the door to tertiary services

Global Fintech Deal Activity



Data from PitchBook

Breakthrough #2: The unbundling of financial services

Implications

Advancements in orchestration layer (account aggregation, verification) allows connectivity between platforms

Orchestration layer

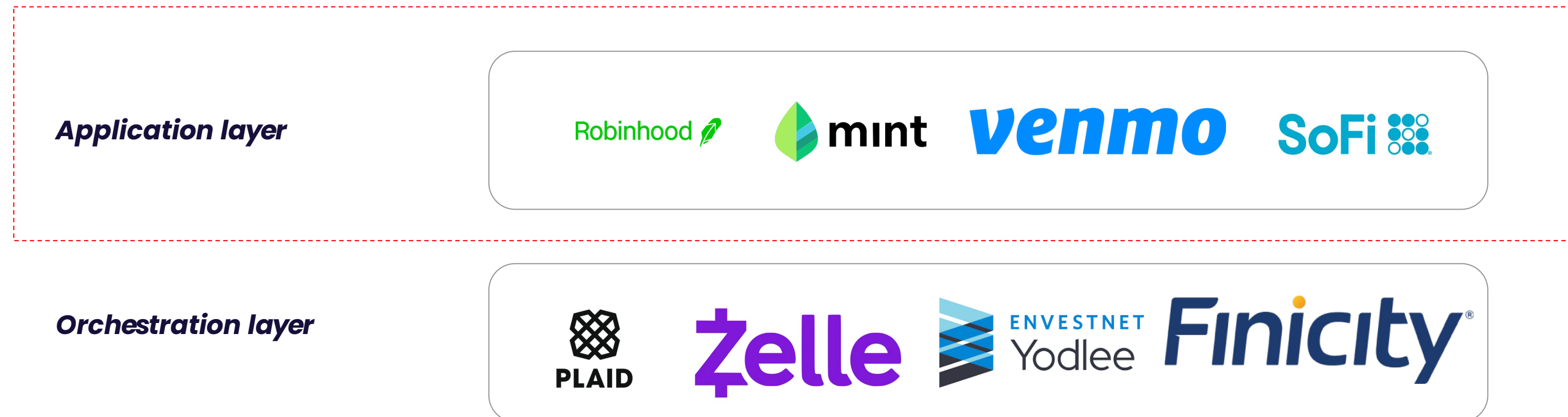


Breakthrough #2: The unbundling of financial services

Implications

Consumers can now aggregate multiple financial services and connect them all digitally











- Spending, saving, investing, borrowing, money management, BNPL, payroll, insurance, payments



- Technology hands the power back to the consumer allowing ability to pick and choose best individual services and connect them all together

Breakthrough #2: The unbundling of financial services

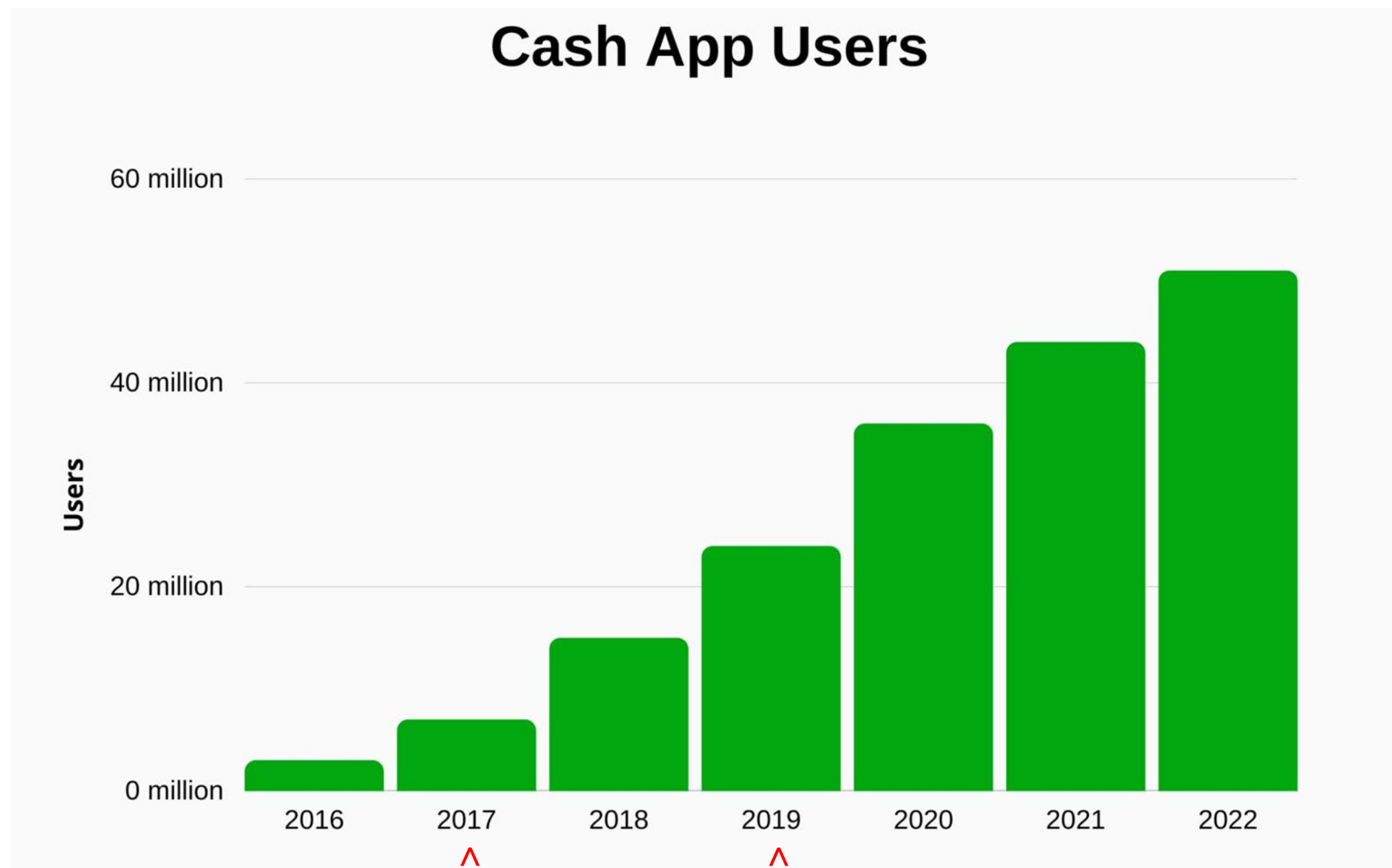
Original unbundled services were point solutions

Company		Original Focus
PayPal		Online payments
Venmo		Peer to peer transfers
Cash App		Peer to peer transfers
Shop Pay		Online payments
SoFi		Consumer loans
Chime		Debit and checking
Coinbase		Crypto trading
Robinhood		Stock trading
Affirm		Buy now, pay later
Klarna		Buy now, pay later

Breakthrough #3: The rebundling of financial services

Trigger:

Consumers overwhelmed by abundance of choice ⇒ shift to platform super apps



Launched bitcoin trading

Breakthrough #3: The rebundling of financial services

Implications:

Advancements in orchestration layer allow companies to embed financial features into products

- Banking-as-a-service, payments, cards, brokerage, crypto

Rise of financial super apps across:

- Digital wallet apps, Investing, Banking, Buy now pay later

Application layer

PayPal	venmo	Robinhood	coinbase	chime	SoFi	Klarna	affirm
Cash App							
Digital wallets		Investing		Banking		BNPL	

Orchestration layer

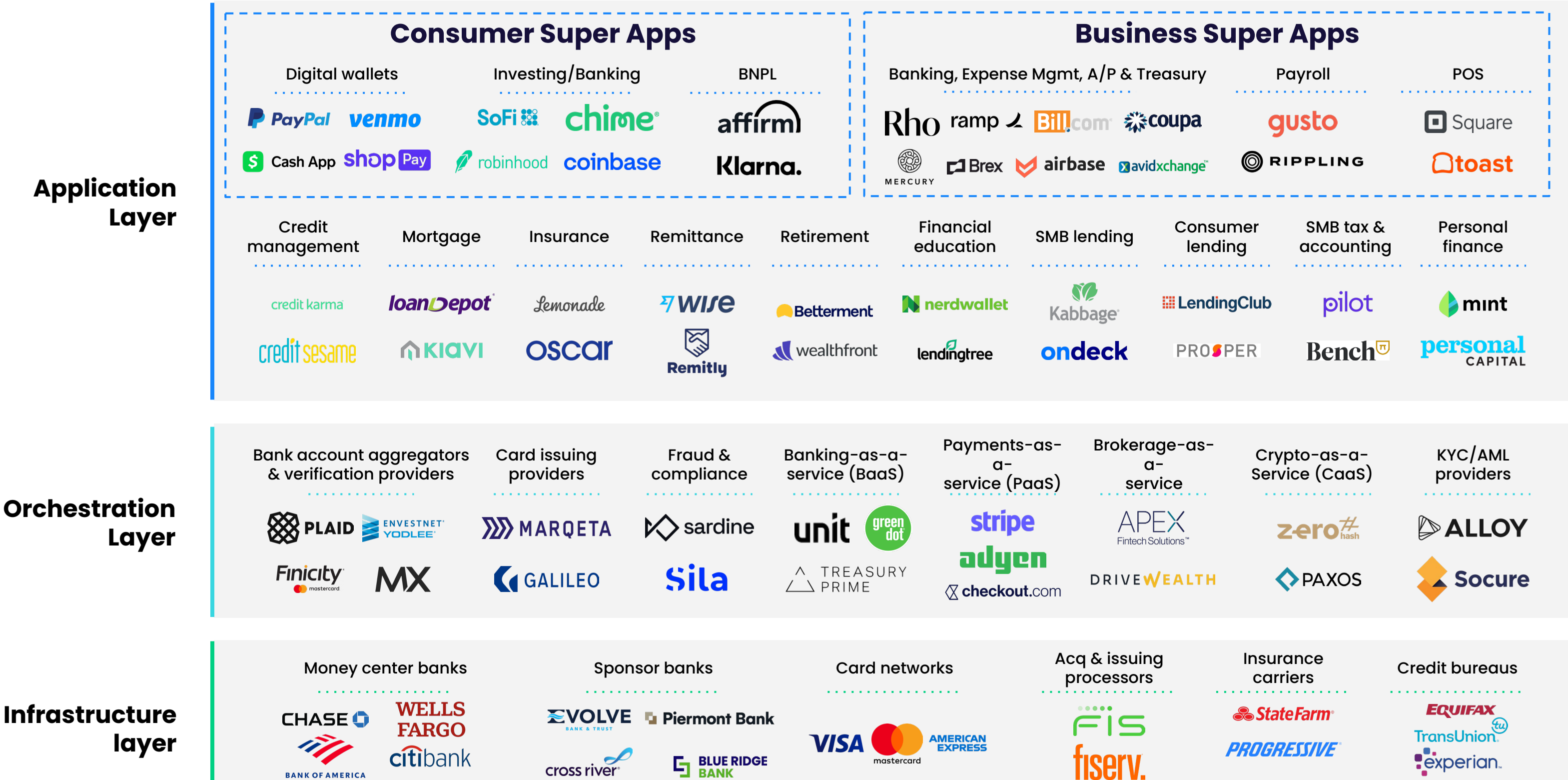
unit	stripe	adyen	MARQETA	DRIVEWEALTH	ZeroHash
Banking-as-a-service	Payments		Cards	Brokerage	Crypto

Consumer super app deep dive

Fintech apps are increasingly offering a wide suite of services

	Digital wallet apps				Investing / banking				BNPL	
	PayPal	venmo	Cash App	shop Pay	SoFi	chime	coinbase	robinhood	affirm	Klarna
Store cash balance and cards	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
QR Code payments	✓	✓								
E-commerce payment button	✓	✓		✓					✓	✓
Peer-to-peer transfers	✓	✓	✓		✓	✓				
Instant transfers to bank accounts	✓	✓	✓				✓	✓		
Debit card	✓	✓	✓		✓	✓	✓		✓	✓
Credit card	✓	✓			✓	✓				
Checking account	✓	✓	✓		✓	✓				
Savings account	✓				✓	✓		✓	✓	
Bill payment	✓				✓	✓				
Direct Deposit	✓	✓	✓		✓	✓	✓			
Buy now, pay later	✓		...	✓					✓	✓
Consumer loans	✓		✓		✓				✓	✓
Crypto trading	✓	✓	✓		✓		✓	✓	...	
Stock trading	✓		✓			✓		
Budgeting / credit building					✓	✓				
Shopping deals	✓	✓	✓	✓					✓	✓
Loyalty program / rewards	✓	✓	✓		✓		✓	✓	✓	✓

The M13 'Marketecture'



Superapps can be B2C and B2B

Consumer

- Digital wallets
- Investing / banking
- BNPL

Business

- Banking, expense management, A/P, treasury
- Payroll
- POS

Consumer Super Apps

Digital wallets	Investing/Banking	BNPL
PayPal venmo Cash App shop Pay	SoFi chime robinhood coinbase	affirm Klarna.

Business Super Apps

Banking, Expense Mgmt, A/P & Treasury	Payroll	POS
Rho ramp Bill.com coupa MERCURY Brex airbase avidxchange™	gusto RIPPLING	Square toast

Application Layer

Credit management	Mortgage	Insurance	Remittance	Retirement	Financial education	SMB lending	Consumer lending	SMB tax & accounting	Personal finance
credit karma credit sesame	loanDepot KIAVI	Lemonade OSCAR	WISE Remitly	Betterment wealthfront	nerdwallet lendingtree	Kabbage ondeck	LendingClub PROSPER	pilot Bench	mint personal CAPITAL

The rise of crypto super apps?

Crypto wallets

Wallet address becoming the key identifier for web3

Several form factors:






- self-custodial, custodial, multi-party computation / multisig, hardware

Beginning to see the rise of self custodial wallet super apps



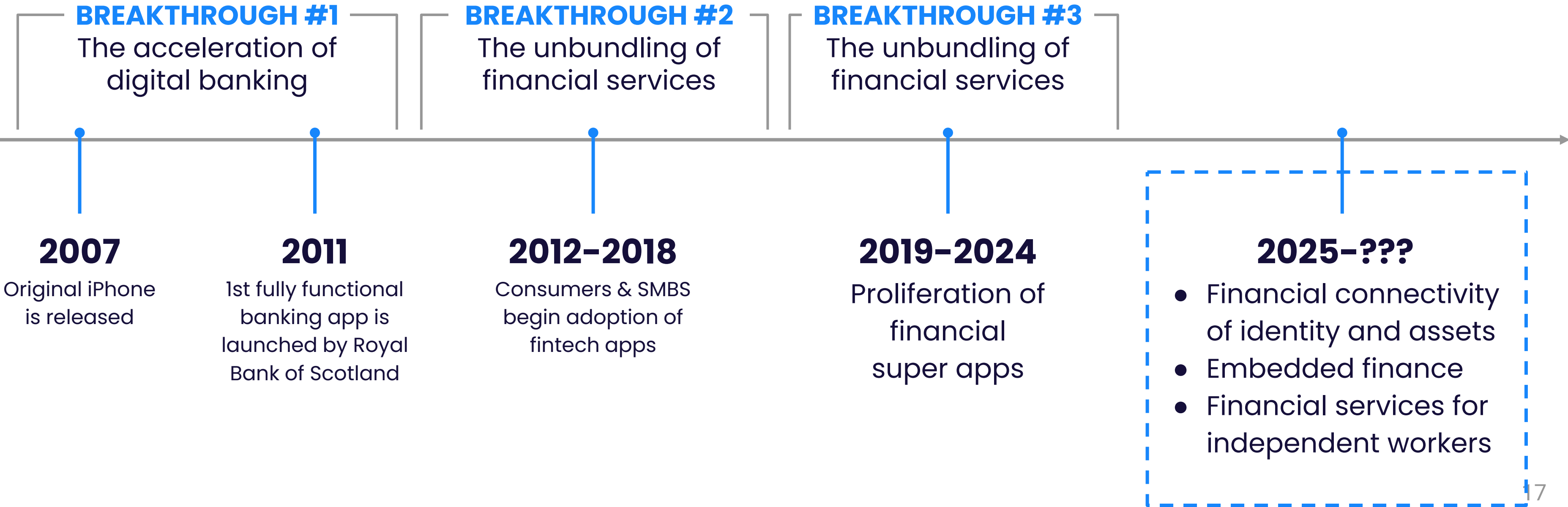
Self custodial wallets:
the key to the
decentralized web

Crypto wallets

Type	Self Custodial	Custodial	Multi-Party Computation / Multi-Sig	Hardware
Examples	 METAMASK		 Fireblocks  Bitkey	
Properties	User retains private keys Can connect into web3 apps	User trusts custodian with private keys Used for storing assets	Multiple stakeholders required to access a wallet Used for storing assets / or accessing web3 apps	User retains private keys in hardware device Used for storing assets

Additional areas of focus for M13 in fintech

- 1. Financial connectivity of identity and assets
- 2. Embedded finance
- 3. Financial services for independent workers



Opportunity #1: Financial connectivity of identity & assets

Theme:

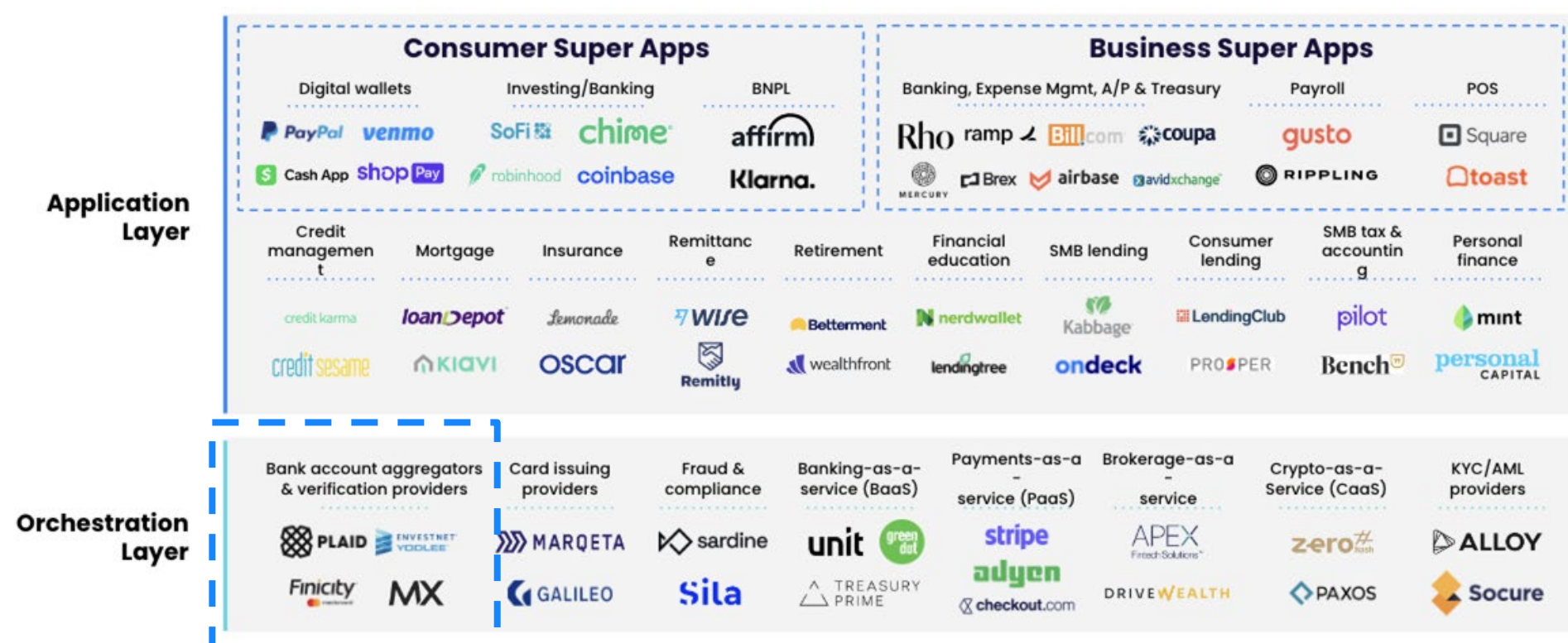
- Every consumer should have access to and control over their financial identity.

How to execute:

- Orchestration layer tools that allow fintech apps to offer a universal verification process for consumers and ability to move assets across apps.



Fintech Landscape: Financial connectivity disruption areas



Current state is read-only: in the future, there is an opportunity to offer read, write, and transfer capabilities.

Opportunity #2: Embedded fintech

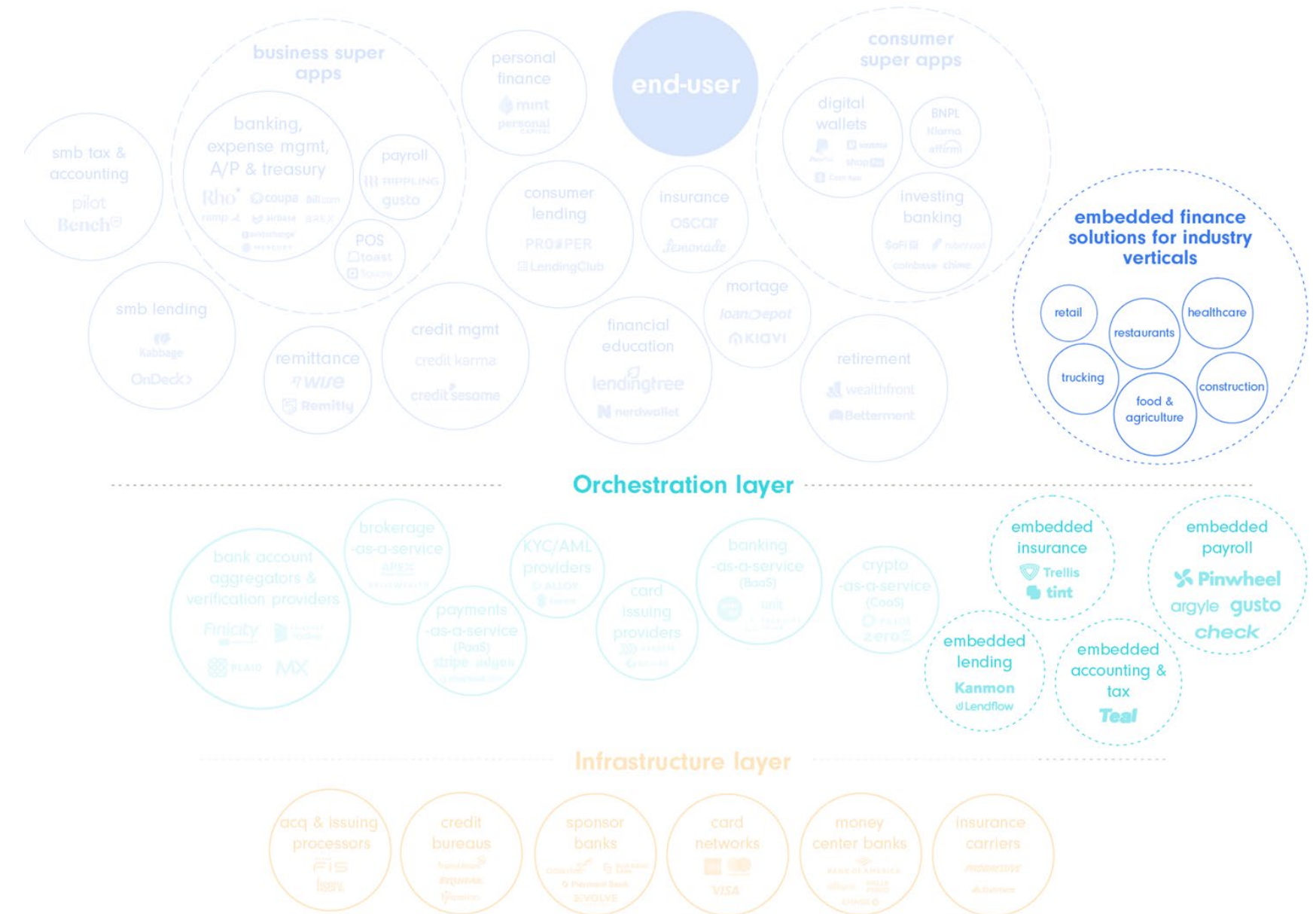
Theme:

- Non financial services companies can offer financial features (payments, lending, insurance, tax, accounting)

How to execute:

- Orchestration layer tools that provide financial tooling to vertical SaaS players

Fintech Landscape: Embedded finance disruption areas



Opportunity #3: Financial services for independent workers

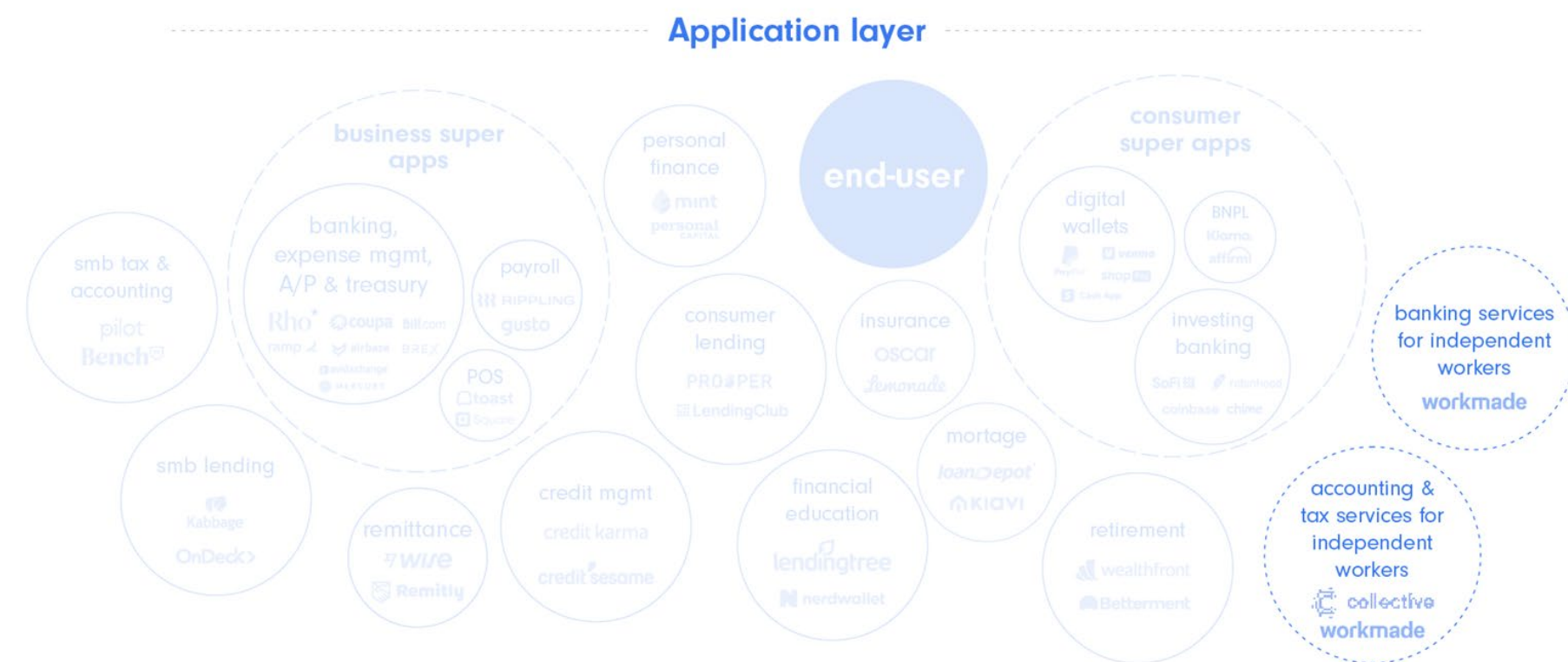
Theme:

- 70M Americans are independent workers but lack sufficient financial services

How to execute:

- Application layer opportunities: banking, accounting, tax

Fintech Landscape: Financial solutions for independent worker disruption areas



workmade
collective

Takeaways

- Continued consolidation of fintech apps \Rightarrow proliferation of super apps
- Financial connectivity and portable identity may challenge this
- As crypto continues to rise, look for wallets to become core identity primitives and potentially the foundation for super apps

Thank you!

