

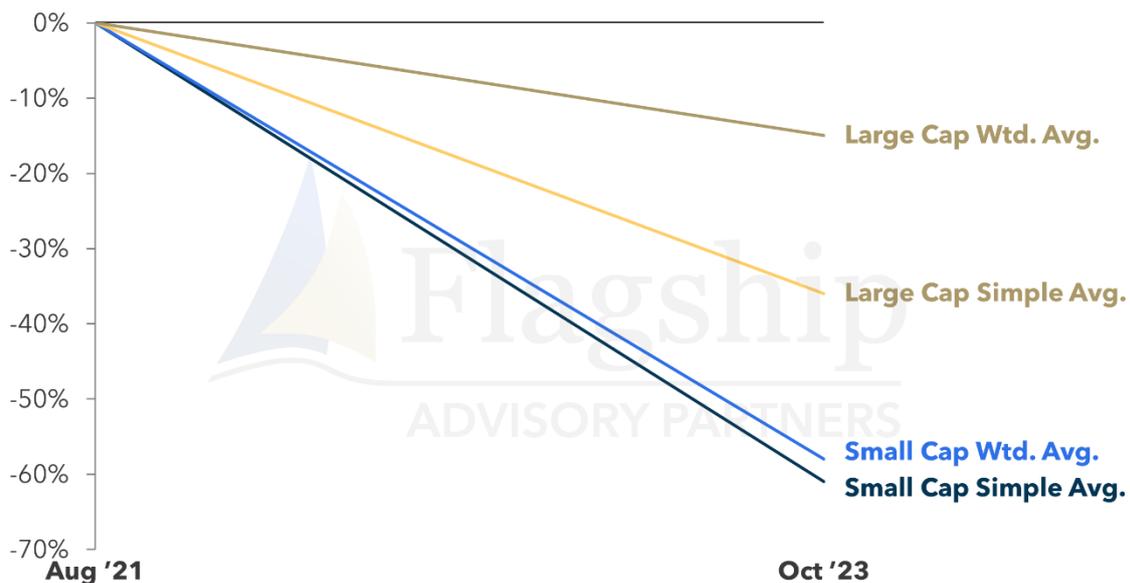
by Joel Van Arsdale, Tobias Vink, and Tim Gallagher, 26 October 2023

Small Cap Fintechs Struggling in Public Equity Markets

It continues to be a rough ride for virtually all listed fintechs, large and small, although small cap fintech stocks are particularly challenged in today's tough (and worsening) market conditions.

In Figure 1, we compare the relative share price performance of large cap fintechs (market cap >\$10B) vs. small cap fintechs (market cap < \$2B). Both cohorts declined as market conditions worsened, although the share price decline of small caps was significantly greater. On average, small caps declined by c. 60%, while large caps declined on average by 36% (and only 15% on a weighted average basis).

Figure 1: Share Price Performance of Small and Large Cap Fintechs (Indexed from Aug 2021)



Notes: Share price performance of cohorts, 1 Aug 2021 (or earliest available date) to 24 Oct 2023
Sources: Flagship market observations and research, Google Finance, Yahoo Finance
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Small cap fintechs thrived during the heady days of 2017-2021, when investors were anxious for growth and willing to bet on potential. Today's investors have cast aside potential and are investing instead in value, as evidenced by cashflow. Markets are also now quick to punish any disappointment, as evidence by the recent steep declines in the shares of both Wordline (-57% share price decline on 25 Oct) and Crown Agents Bank (-72% decline on 24 Oct).

We firmly believe that small cap fintechs are better suited to private, patient capital, at least as market conditions remain hawkish. Private money is simply more patient and focused on longer-term growth and earnings development. The public markets are now a brutal environment for growing into profitability. As valuations continue to decline, we expect numerous public to private transactions. Private equity is not without its own challenges, however, as rising interest rates are also exerting downward valuation pressure on private valuations.

Figure 2: Sample of Listed Fintechs

U.S. Large Cap	U.S. Small Cap	Int'l Large Cap	Int'l Small Cap

Notes: Small cap refers to companies with a market capitalization generally less than \$2 billion USD; Large cap refers to companies with a market capitalization generally greater than \$10 billion USD (more or less, we included some close to \$10B)
 Sources: Flagship market observations and research, Google Finance, Yahoo Finance
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Figure 3A: Small Cap Sample Data Table
(non-exhaustive)

Company	Ticker	Market Cap, \$M, as of 24 Oct 2023	Share Price Indexed to 1 Aug 2023*
 Payoneer	PAYO	\$2,074	-38%
 Paymentus	PAY	\$1,834	-49%
 Q2	QTWO	\$1,797	-69%
 avidxchange	AVDX	\$1,768	-61%
 Alkami	ALKT	\$1,710	-40%
 BFH	BFH	\$1,397	-62%
 zuora	ZUO	\$1,071	-55%
 OLO	OLO	\$892	-84%
 riskified	RSKD	\$652	-87%
 green dot	GDOT	\$607	-74%
 Paysafe:	PSFE	\$602	-92%
 REPAY <small>Realtime Electronic Payments</small>	RPAY	\$563	-74%

Notes: Market Cap as of 24 Oct 2023, share price performance from 1 Aug 2021 (or earliest available date) to 24 Oct 2023
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Figure 3B: Small Cap Sample Data Table
(non-exhaustive)

Company	Ticker	Market Cap, \$M, as of 24 Oct 2023	Share Price Indexed to 1 Aug 2023*
 PRTH	PRTH	\$237	-51%
 Expensify	EXFY	\$220	-94%
 MoneyLion	ML	\$194	-94%
 CoreCARD <small>CORPORATION</small>	CCRD	\$160	-41%
 EW <small>EUROWAG</small>	WPS	\$866	-38%
 tyro	TYR	\$307	-73%
 EML	EML	\$262	-70%
 PAGERO	PAGERO	\$238	-26%
 CAB <small>PAYMENTS</small>	CABP	\$197	-80%
 smartpay	SPY	\$185	66%
 ZIP	ZIP	\$181	-96%
 Funding Circle	FCH	\$172	-74%

Notes: Market Cap as of 24 Oct 2023, share price performance from 1 Aug 2021 (or earliest available date) to 24 Oct 2023
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Figure 4A: Large Cap Sample Data Table
(non-exhaustive)

Company	Ticker	Market Cap, \$M, as of 24 Oct 2023	Share Price Indexed to 1 Aug 2023*
 FIS	FIS	\$28,972	-64%
 GPN	GPN	\$27,860	-37%
 FI	FI	\$70,751	0%
 SQ	SQ	\$25,532	-84%
 PYPL	PYPL	\$59,558	-80%
 AXP	AXP	\$105,245	-15%
 FLT	FLT	\$17,296	-6%
 BILL	BILL	\$10,816	-51%
 SHOP	SHOP	\$64,200	-67%
 NU	NU	\$38,059	-31%
 V	V	\$481,383	-3%

Notes: Market Cap as of 24 Oct 2023, share price performance from 1 Aug 2021 (or earliest available date) to 24 Oct 2023
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Figure 4B: Large Cap Sample Data Table
(non-exhaustive)

Company	Ticker	Market Cap, \$M, as of 24 Oct 2023	Share Price Indexed to 1 Aug 2023*
 MA	MA	\$363,571	2%
 MELI	MELI	\$59,898	-25%
 JKHY	JKHY	\$10,451	-18%
 SYF	SYF	\$11,490	-42%
 INTU	INTU	\$141,760	-4%
 WLN	WLN	\$25,542	-71%
 ADYEN	ADYEN	\$22,617	-70%
 EDEN	EDEN	\$13,586	3%
 NEXI	NEXI	\$8,734	-65%
 WISE	WISE	\$8,354	-31%

Notes: Market Cap as of 24 Oct 2023, share price performance from 1 Aug 2021 (or earliest available date) to 24 Oct 2023
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Please do not hesitate to contact Joel Van Arsdale at Joel@FlagshipAP.com with comments or questions.