

January 2025



# The State of Israeli FinTech

2025 – The Comeback Year



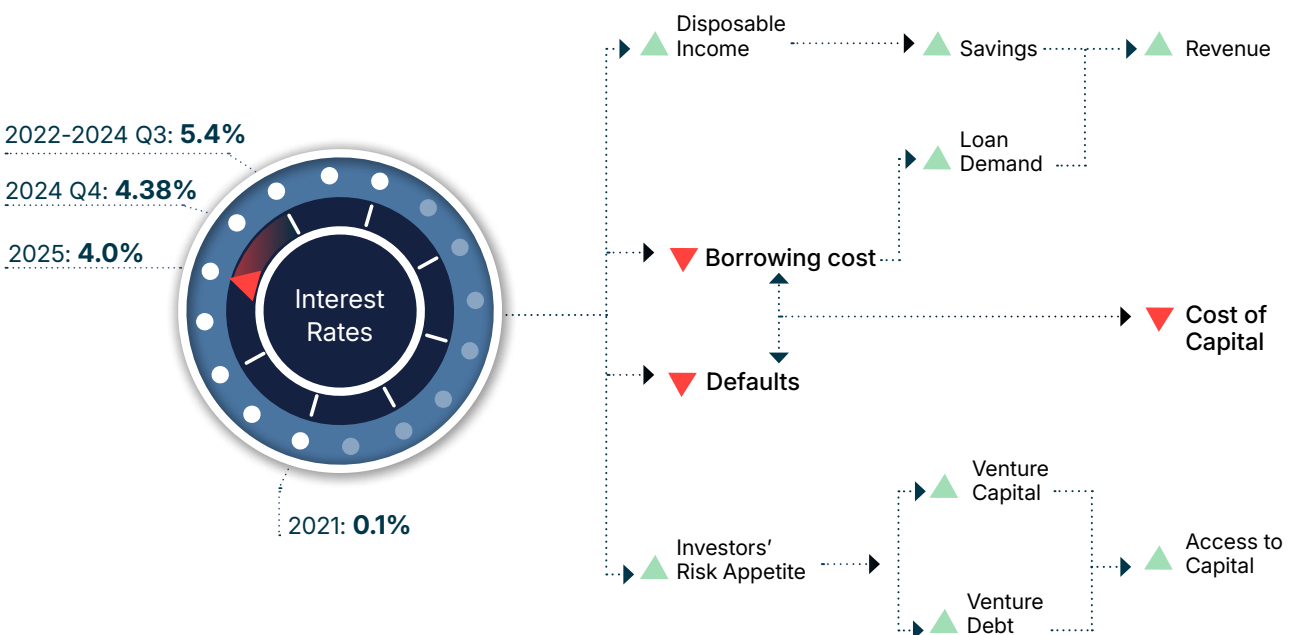
As we step into 2025, the FinTech landscape is poised for a dramatic resurgence, fueled by a confluence of macroeconomic shifts, technological advancements, and evolving consumer demands. Both globally and within Israel, the coming year promises to be a defining moment for the sector. Here's what lies ahead for investors and founders.

## Macroeconomic Revival Fuels FinTech Growth

Since the turbulence of 2022, triggered by inflationary pressures and soaring interest rates, FinTech has faced an uphill battle. Between 2021 and 2024, FinTech investments dropped by 77.1% compared to total VC funding, which dropped by 62.8%; public FinTech shares plummeted by 48% compared to EMCLUD and NASDAQ, which dropped by 44% and 2% respectively since the peak in 2021.

However, the anticipated decline in interest rates to 4.0% by Q4 2025 from 5.4% in Q3 2024 is set to reinvigorate the sector. Although this decrease is occurring at a slower pace than projected, the resulting lower borrowing costs will not only make loans more accessible but also ignite consumer spending and investor confidence.

### Expected drop in interest rates will benefit FinTechs' unique business model attributes



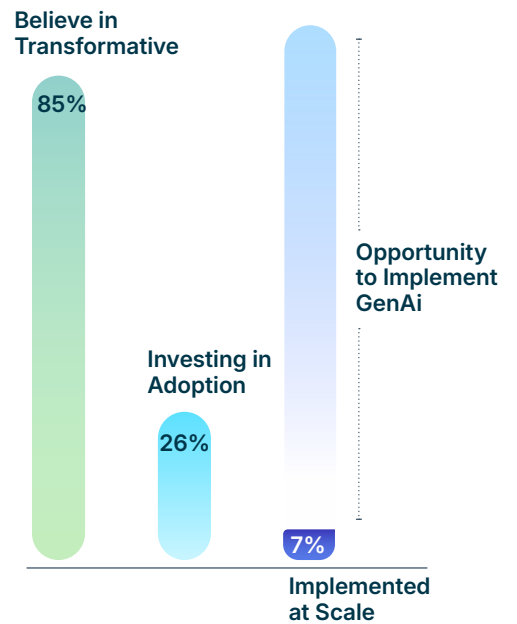
# AI Is Fueling the Personalized, Autonomous and Inclusive FinTech Era

Much like in other sectors, FinTech is starting to adopt AI at scale. Similar to the internet revolution enabling digital banking in the early 2000s, AI is leading the next fintech generational shift enabling the sector to offer personalized, autonomous, and inclusive financial solutions. Applications range from fraud detection and risk management to hyper-targeted financial products. Yet the potential remains underutilized - only 26% of financial firms are actively investing in AI, with just 7% implementing it at scale.

This gap presents an unprecedented opportunity. Founders who adopt AI-driven core product features can not only differentiate themselves but also gain a competitive edge in a market ripe for disruption.

Our portfolio companies at the forefront of this transformation; Sympera, PayZen, and Faye. Sympera's platform equips bankers with AI-driven tools to uncover client behavioral patterns and generate tailored sales strategies, enhancing client engagement and operational efficiency. PayZen applies AI to analyze thousands of data points, enabling personalized, payment plans that improve patient payments and streamline healthcare providers' cash flow. Faye uses AI to simplify travel insurance, offering instant claims processing and direct reimbursements, making insurance hassle-free for travelers.

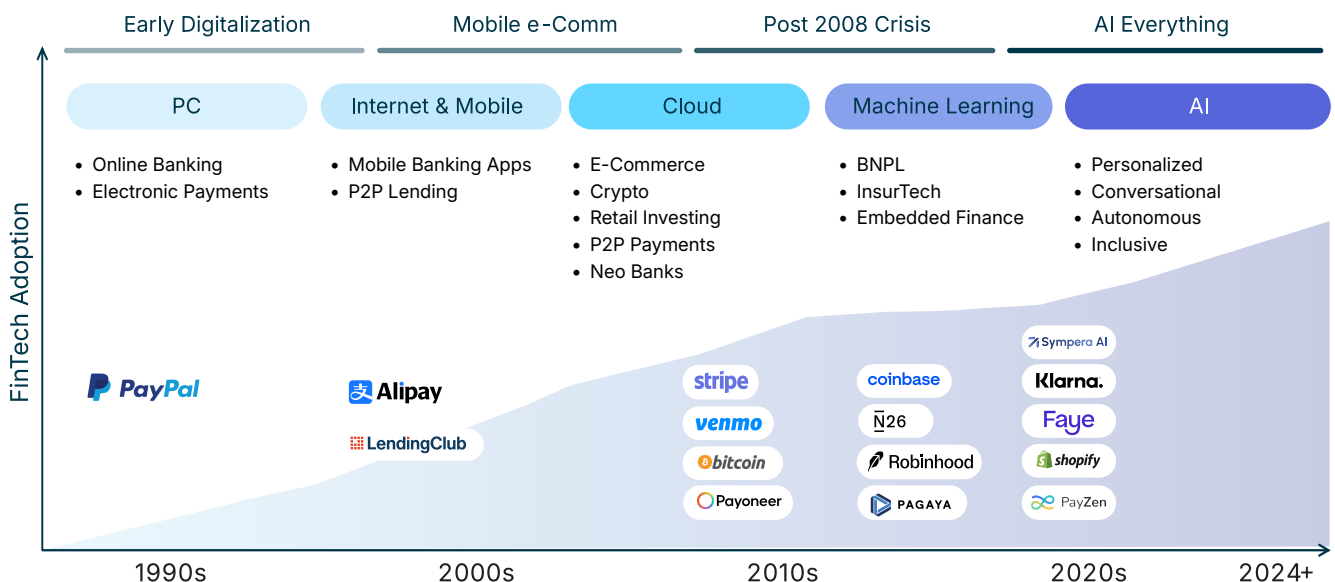
By embedding AI at their core, these companies demonstrate how technology can redefine industries, delivering superior outcomes for users while driving competitive advantage.



## Fintech AI Benefits

- Leverage Unstructured Data**
  - Enhanced Fraud Detection
  - Risk Management
- Interact at Scale**
  - Personalized Financial Products
  - Customer Service
- Normalize Data Infrastructure**
  - Predictive Analytics
  - Internal Processes Automation

## AI Will Lead the Next FinTech Generational Shift



# Following Two Years of FinTech Winter, Public FinTechs are Starting to Bounce Back

Publicly traded FinTech companies are leading the charge in market recovery. Following a prolonged "FinTech winter," these firms have emerged stronger in 2024, now outperforming market indices.

Public FinTech companies still haven't returned to their pre-COVID levels. Nonetheless, 2024 marked a positive reversal of this trend. The Viola FinTech Index has surged by 33.8%, outpacing key market benchmarks such as the S&P 500 (+27.1%), and EMCloud Index (+18.0%).

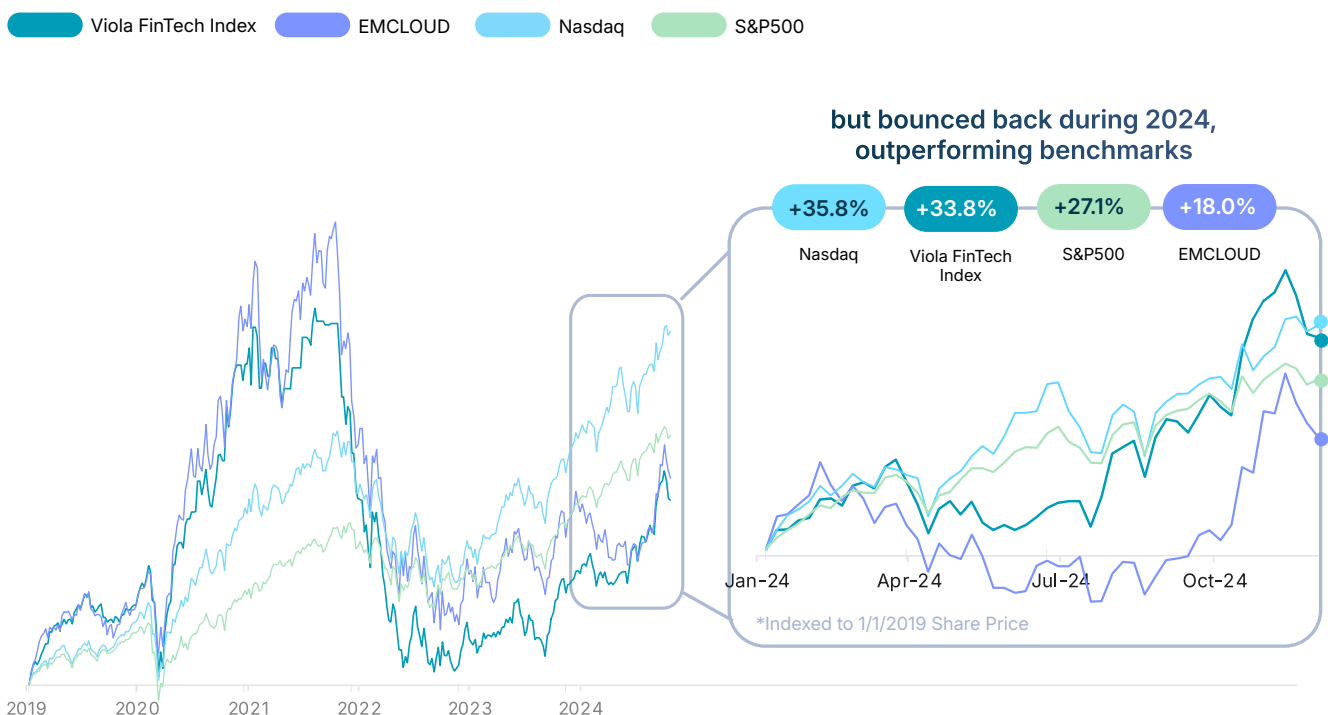
In August and October 2024, public FinTech companies saw share price increases due to strategic corporate developments and broader market trends. Adyen's shares surged 63% after an investor day that reinforced confidence in its long-term growth prospects, while SoFi Technologies exceeded earnings expectations with its fourth consecutive profitable quarter.

Despite a cautious investment environment in the first half of 2024 characterized by high interest rates and geopolitical uncertainties, the FinTech sector showed signs of recovery. Global FinTech revenues continued to grow at a robust pace, with a 14% increase over the past two years and a shift toward profitable growth, as EBITDA margins improved by 9 percentage points on average.

These trends underscore the sector's resilience and potential as profitability and innovation continue to attract public capital.

This remarkable recovery demonstrates public FinTechs' ability to navigate uncertainty, adapt to market shifts, and rebuild investor trust. Their success sets the stage for broader industry resurgence and highlights the sector's resilience and growth potential.

## Public FinTechs crashed during inflation-related financial crisis



\*Indexed to 1/1/2019 Share Price

\*Source: Pitchbook; Viola FinTech index includes: COIN, NU, RKT, HOOD, CPG, TOST, MQ, WISE, AFRM, STNE, NEUE, SOFI, OSCR, PSFE, RELY, ROOT, NCNO, BFH, PAYTM, OPEN, HIPO, AVDX, EDEN, OS, LDI, CPAY, CWAN, CLOV, BLND, FOUR, DAVE, OLO, PAYO, RSKD, DLO, SQ, MAX, BL, VIRT, ALKT, FLYW, PAY, ML, EXFY, PLUS, MLNK, FCH, ENFN, JDO, ZUO, BILL, INTA, PYPL, GDOT, UPST, LC, SHOP, RDFN, NRDS, ADYEN, QTWO, LSPD, MELI, TREE, WEX, WK, EVER, BKKT, GSHD, XRO, INTU, SGE, LMND, ENV, NVEI, PLAN, COUP



# Private Markets Face Challenges But Signal Long-Term Opportunities

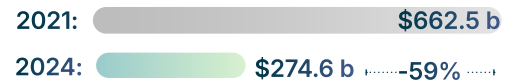
Despite early signs of recovery, the path forward is not without hurdles. Private FinTech financing has experienced a dramatic decline, falling to \$33.7 billion in 2024 from a peak of \$143.6 billion in 2021. This trend reflects broader market dynamics, with total venture financing dropping from \$662.5 billion in 2021 to just \$274.6 billion in 2024.

FinTech's share of total venture funding has also contracted, decreasing from 22% in 2021 to 12% in 2024. This sustained downturn underscores a shift in investor priorities and sentiment, as the market recalibrates its focus amidst changing economic conditions.

## Private FinTech financing

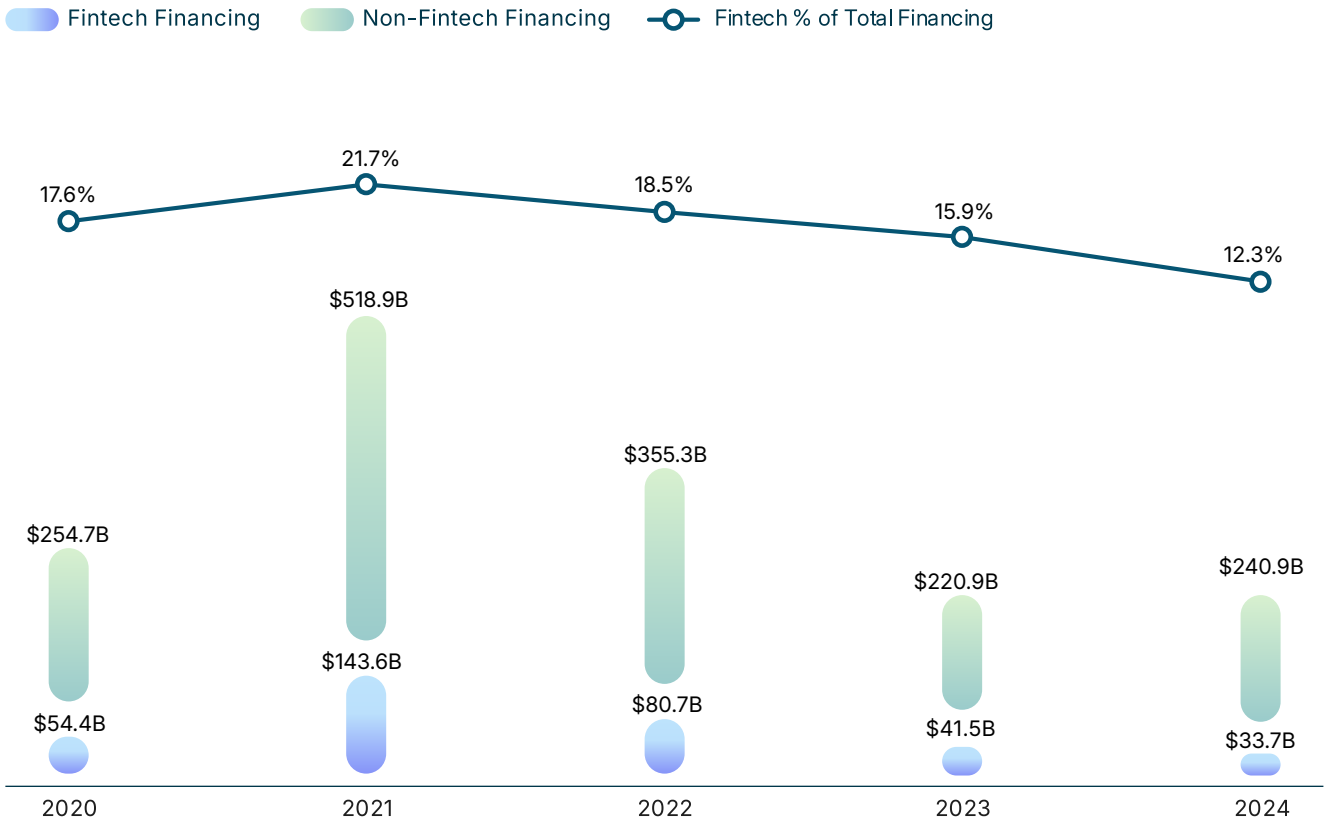


## Total venture financing



At Viola Ventures, we believe that public markets, buoyed by renewed investor confidence and favorable tailwinds, signal a change of heart among investors—one that will soon extend to private markets, paving the way for a resurgence in funding and innovation.

## FinTech % of Global Venture Financing Down From 2021 Peak



Source: CB Insights



# Valuation Multiples Reflect Renewed Optimism

One of the clearest indicators of FinTech's recovery is the resurgence in valuation multiples across key segments.

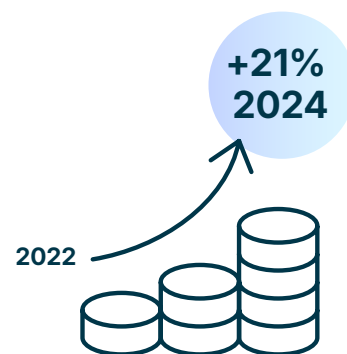
Enterprise value to next twelve months (NTM) revenue multiples have rebounded significantly, climbing 21% since the end of 2022. Banking has been the standout leader in this resurgence, with its multiple climbing from 2.4x at EoY 2022 to 5.7x EoY 2024.

Other FinTech segments have also shown encouraging growth. Payments edged up from 2.7x to 2.8x, Lending rose from 2.5x to 3.6x, and Trading & Investing increased from 1.7x to 2.2x.

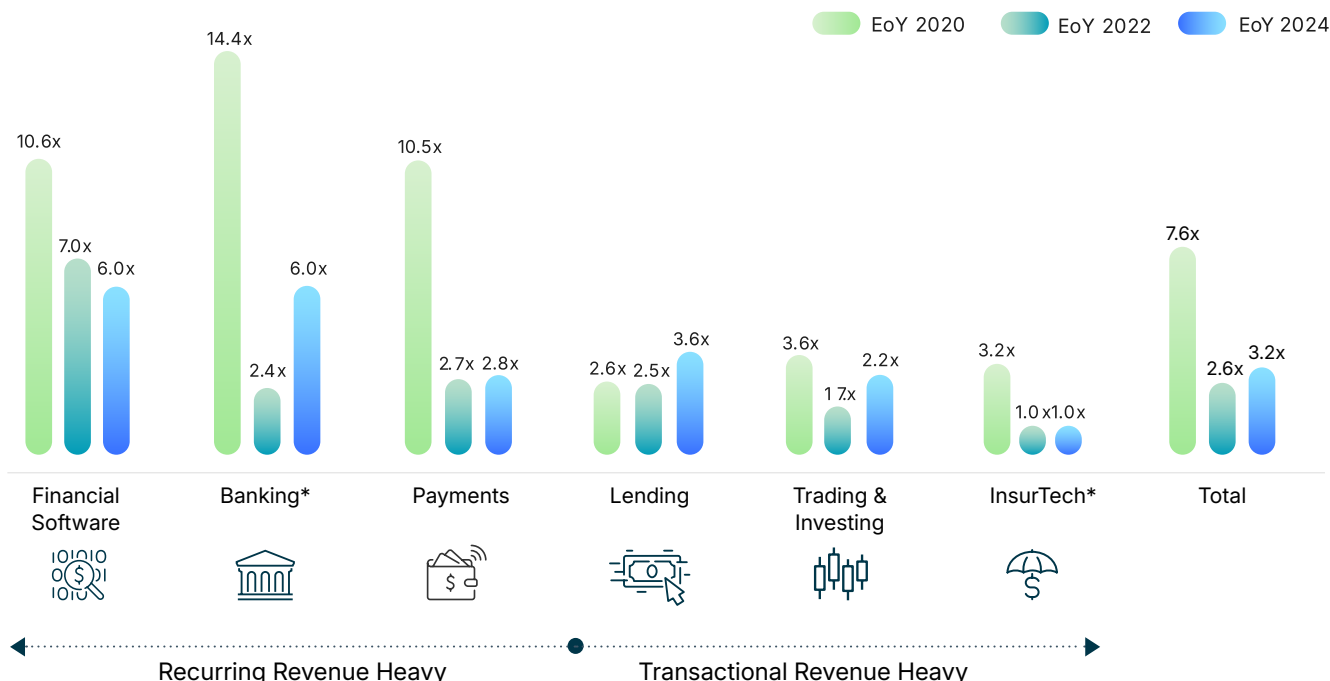
The revenue multiple premium for recurring business models is significantly lower in 2024, though it still persists - underscoring the continued importance of revenue predictability and certainty.

These trends signal a renewed investor confidence within the industry.

NTM revenue multiples have climbed 38% since the end of 2022.



## EV/NTM Revenue Multiple



\*While Banking and InsurTech companies are typically assessed on a P/BV basis, EV/Revenue is used here as the most appropriate common multiple for the comparison.

Source: FactSet; underlying public companies: MELI, GDOT, ENV, FLT, XRO-AU, QTwo, VIRT, SHOP, PYPL, SQ, BL, RDFN, Pags, ADYEN-NI, EVER, STNE, BILL, LMND, NCNO, LSPD, UPST, OPEN, CLOV, AFRM, LDI, OSCR, OLO, COMP.EQ-US, ALKT, COIN, FLYW, PAY, SOFI, DLO, MQ, BHG, PAYO, INTA, WPLCF, BLND, HOOD, HIPO, TOST, ML, RELY, AVDX, BKKT, NRDS, EXFY, NU, RSKD, DAVE, FOUR, PSFE, 543396-IN, ZUO, INTU, JDO-AU, MLNK, RKT, LC, FCH-GB, BFH, PLUS-GB, CWAN, ROOT, SGE-GB, WK, MAX, EDEN-FR, ENFN, WEX, TREE, GSHD, OS





# M&A Momentum and IPOs

## Signal Market Optimism

One clear outcome of the FinTech sector's resurgence is the surge in mergers and acquisitions, as companies capitalize on rising valuation multiples and growing market confidence. M&A activity is picking up again, with total volume for 2024 hitting \$169.6 billion, a significant jump from the \$102.3 billion low recorded in 2023.

Meanwhile, the IPO market, though still in its early stages of recovery, is showing promise. A total of \$5.1 billion was raised in the first three quarters of 2024, a marked improvement from the \$1 billion raised in 2023.



**M&A total activity**  
2024:

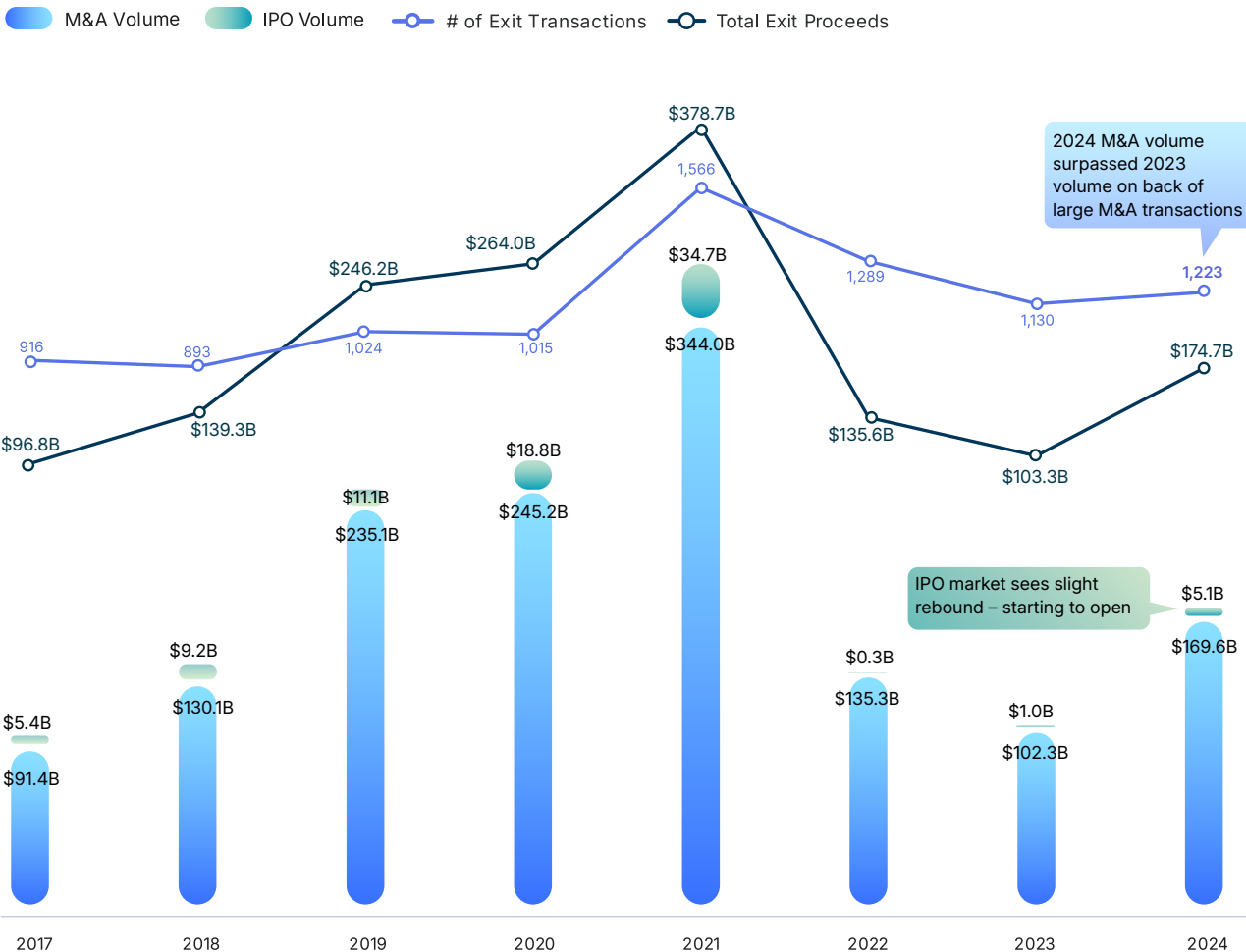
2023: \$102.3 b  
2024: **▲ \$169.6 billion**



**IPO market raised**  
2024:

2023: \$1 b  
2024: **▲ \$5.1 billion**

### Large M&A Transactions Drive 2024 Volume Increase, While IPO Market Starting to Open



Source: FTPartners

# High-Profile Companies Set to Go Public: A New Wave of IPOs Reaffirms FinTech's Prominence

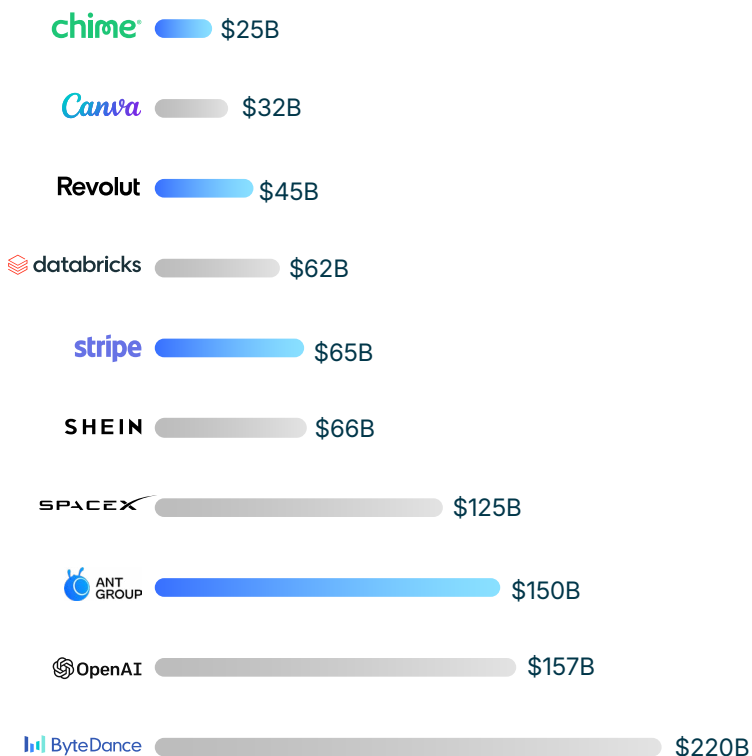
A new wave of FinTech IPOs is on the horizon, signaling the sector's growing prominence on the global stage. Several high-profile companies are preparing to enter the public markets, reflecting the industry's readiness to capitalize on its transformative potential. Among the ten most valuable private companies globally, four—Ant Group, Stripe, Revolut, and Chime—hail from the FinTech sector, underscoring its prominence and potential for significant IPO activity.

ServiceTitan's highly anticipated IPO in December 2024 saw a sharp surge in its share price from \$71 to \$105, positioning it as a potential catalyst for a broader wave of public offerings. eToro announced its TPO on January 2025. Other major players, such as Klarna, are also anticipated to go public within the next one to two years.



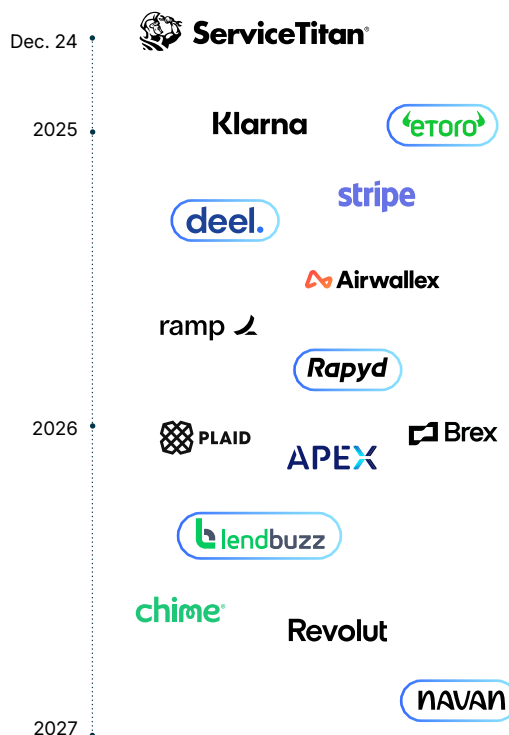
## 4 of the 10 most valued private companies are FinTechs

FinTech Company



## ServiceTitan's IPO in December 2024 and Klarna's upcoming IPO are set to trigger a wave of public offerings

Israeli Company







# The State of Israeli FinTech



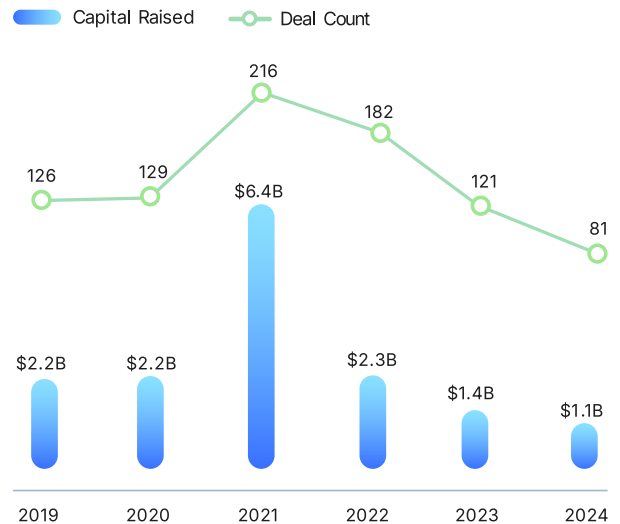
# Outperforming Global Trends: Israel's FinTech Sector Shows Remarkable Resilience

Amid global economic shifts, Israeli FinTech funding also contracted, experiencing a sharp decline over recent years. After peaking at \$6.4 billion across 216 deals in 2021, funding has dropped to just \$1.1 billion in 2024, with only 81 deals recorded.

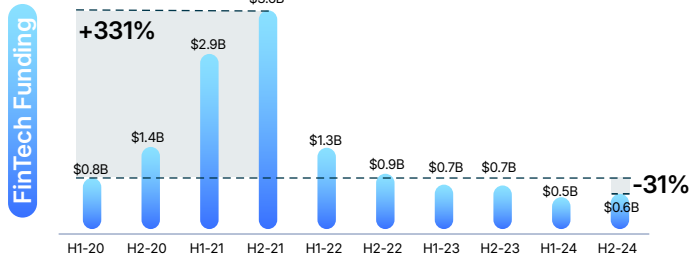
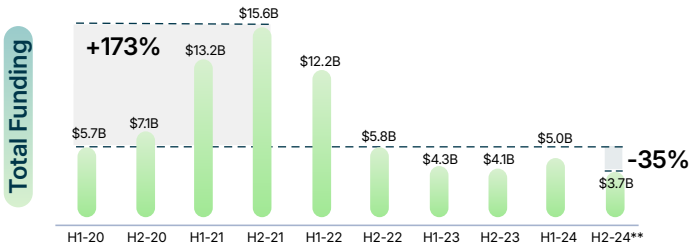
While global FinTech funding dropped in H2-24 by 39% compared to H1-20, Israel's FinTech sector experienced a comparatively smaller decline of 31%. This resilience is even more striking given that overall funding in Israel fell by 35%, while global funding increased by 12%.

These figures indicate the relative stability of Israel's FinTech ecosystem, which continues to weather market headwinds and position itself as a global leader in innovation.

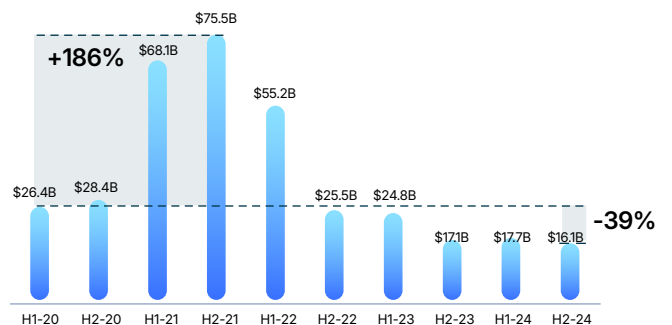
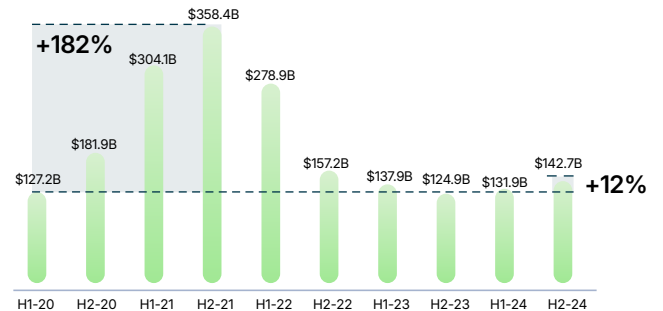
## Fintech Funding Activity in Israel



### Israel



### WorldWide



Source: Viola Data, IVC, CB Insights

\*Calculations are based on H1-20 as the reference

\*\*Excluding SSI \$1B deal

# FinTech Maintains Its Role as Israel's Tech Powerhouse: Second-Largest Tech Category Despite Funding Declines

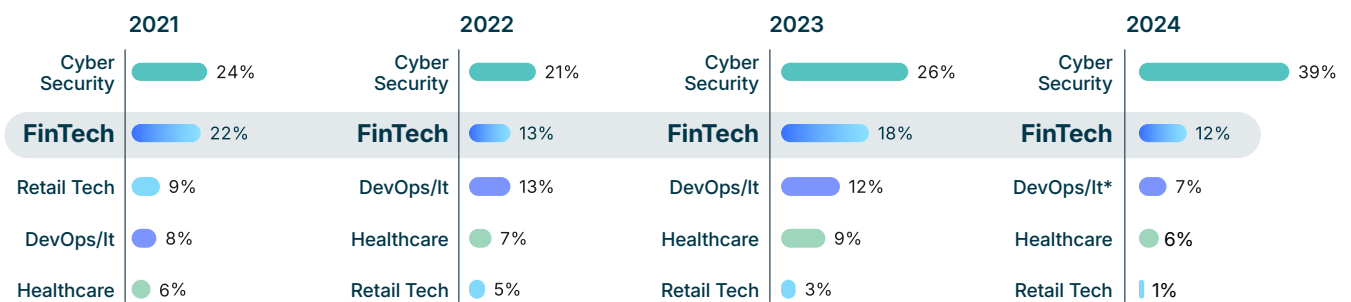
Despite an overall decline in funding, FinTech remains a cornerstone of Israel's tech ecosystem, holding its position as the second-largest category after cybersecurity.

In 2024, FinTech accounted for 12% of the total capital raised in Israel, trailing only Cybersecurity, which dominated with a 39% share.

This enduring significance highlights FinTech's critical role in driving innovation and growth within Israel's tech ecosystem, even in a more cautious funding environment.



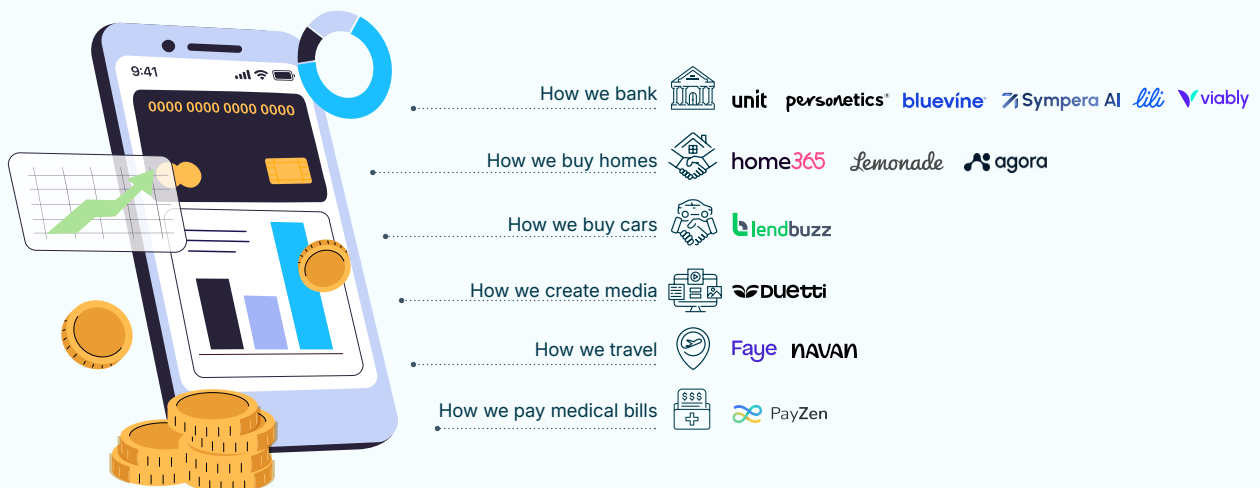
## % of total capital raised in Israel, by year and category



\*DevOps/IT excludes SSI \$1B deal

## Israeli FinTechs are Disrupting Multi-Billion Dollar Markets

### Selected Examples



Source: Viola Data, IVC

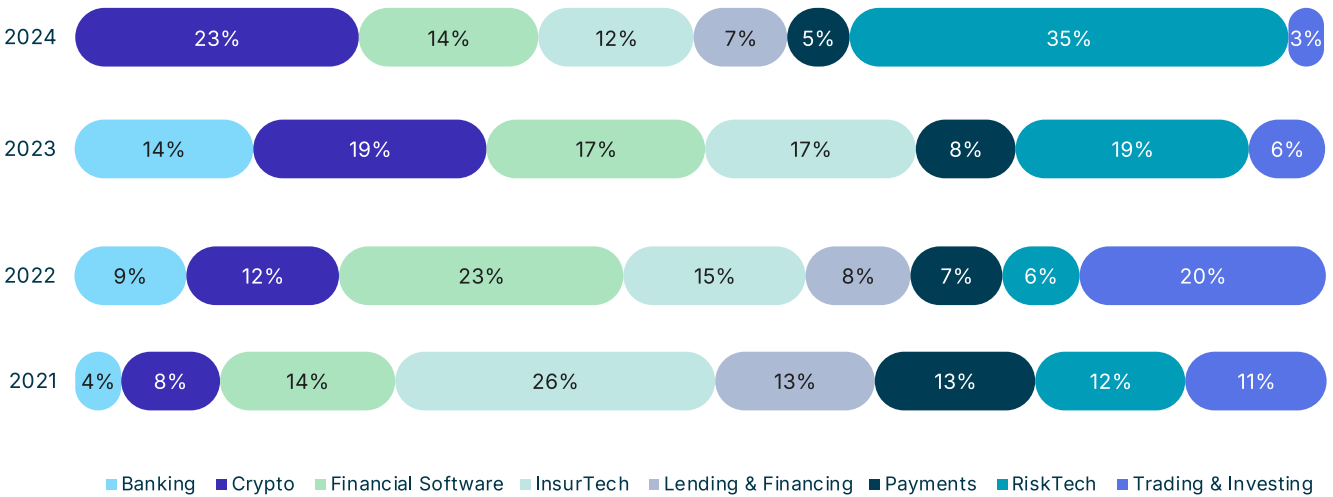
# Trading & Risk Top Israeli FinTech Funding Categories

In 2024, Trading & Investing has risen to prominence as the leading category for overall FinTech funding in Israel, capturing 37% of total funding. This reflects growing investor interest in platforms and technologies that enhance trading efficiency and accessibility.

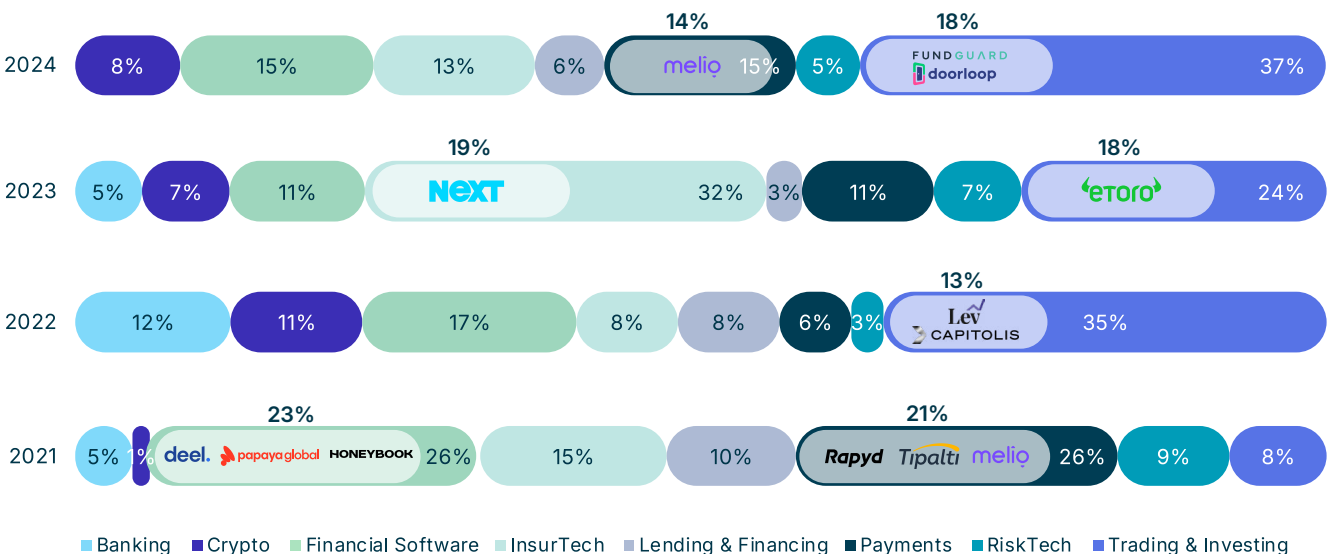
At the early stage, risktech has emerged as the dominant category, accounting for 35% of early-stage funding. Early-stage Cypto and Web 3.0 investments are also back, consisting 23% of overall early-stage FinTech investments in 2024.

These trends underscores Israel's reputation as a global leader in anti-fraud and risk management innovation, with FinTech companies leveraging these strengths to address evolving market needs.

## Early-Stage Funding



## Overall Funding

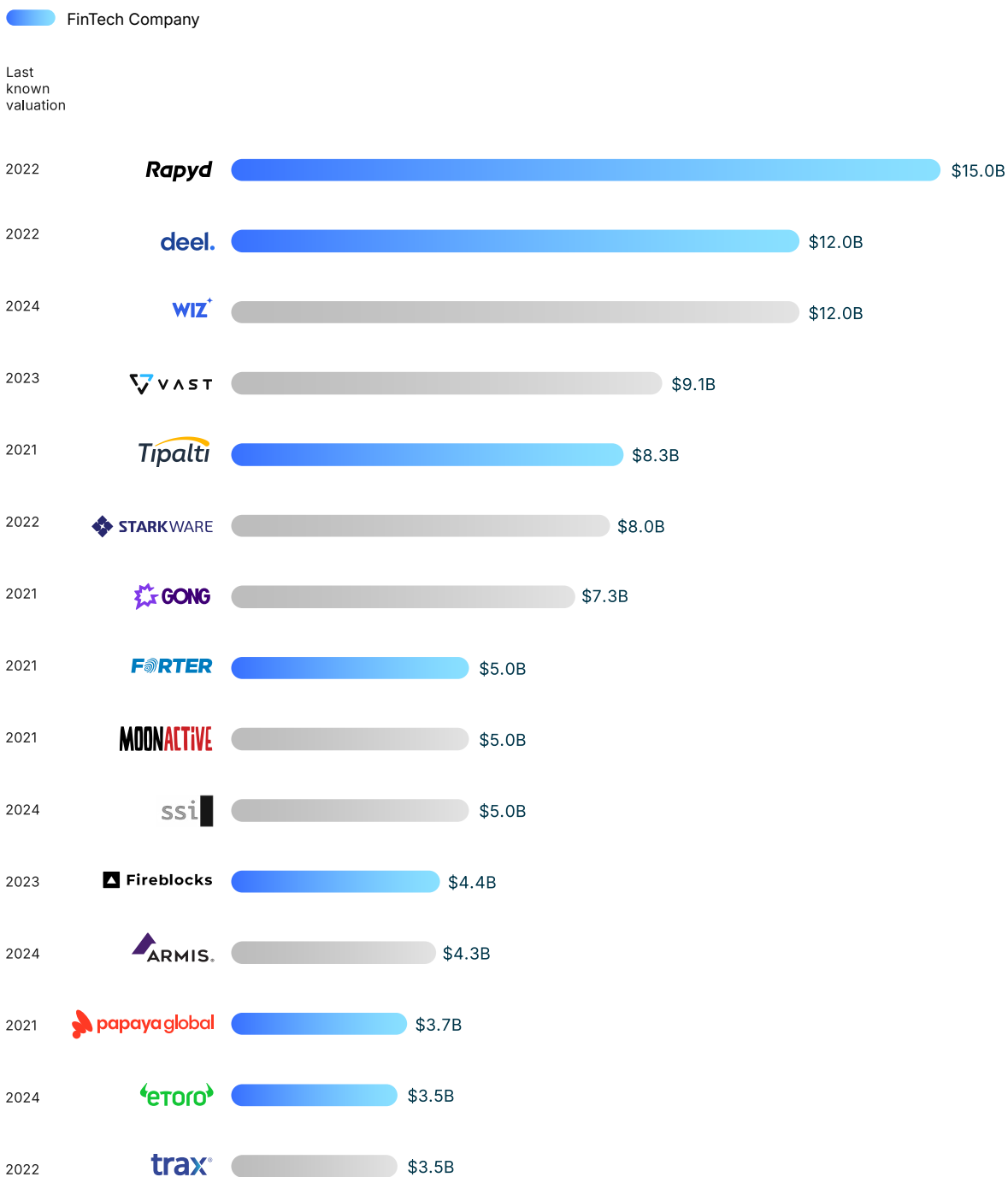


# FinTechs Among Israel's Most Valuable Startups

FinTechs dominate Israel's highest-valued private tech companies, making up nearly half of the top 15. Among these industry leaders, Rapyd leads the pack with a valuation of \$15 billion, followed by Deel at \$12 billion and Tipalti at \$8.3 billion.

Other prominent names include Forter (\$5 billion), Fireblocks (\$4.4 billion), Papaya Global (\$3.7 billion), and eToro (\$3.5 billion). Despite several valuations reflecting the 2021-2022 peak hype and some undisclosed down rounds, Israeli FinTechs continue to lead.

## 7 out of 15 highest-valued startups are FinTechs



Source: IVC, Pitchbook

# Israeli FinTechs are Driven by In-Organic Growth

Israeli FinTechs are not just growing - they're strategically positioning themselves for long-term leadership through acquisitions. By leveraging M&A activity to enhance capabilities and expand market reach, these companies are reinforcing their competitive edge.

Deel leads the charge with seven acquisitions, followed closely by eToro with five acquisitions. Other notable players include Rapyd who acquired PayU for \$610m, as well as Fireblocks, and Papaya Global, with four, two, and two acquisitions respectively. Tipalti and Forter have both also completed one acquisition.

Israeli FinTechs are not just growing - they're strategically positioning themselves for long-term leadership through acquisitions.

Despite declining valuation multiples and a seemingly more opportunistic target landscape, Israeli FinTechs maintained discipline, completing only four acquisitions in both 2023 and 2024.

These strategic moves demonstrate Israeli FinTechs' commitment to consolidation and capability-building, paving the way for sustained growth and an evolving Israeli FinTech ecosystem.



Source: Viola Data, IVC



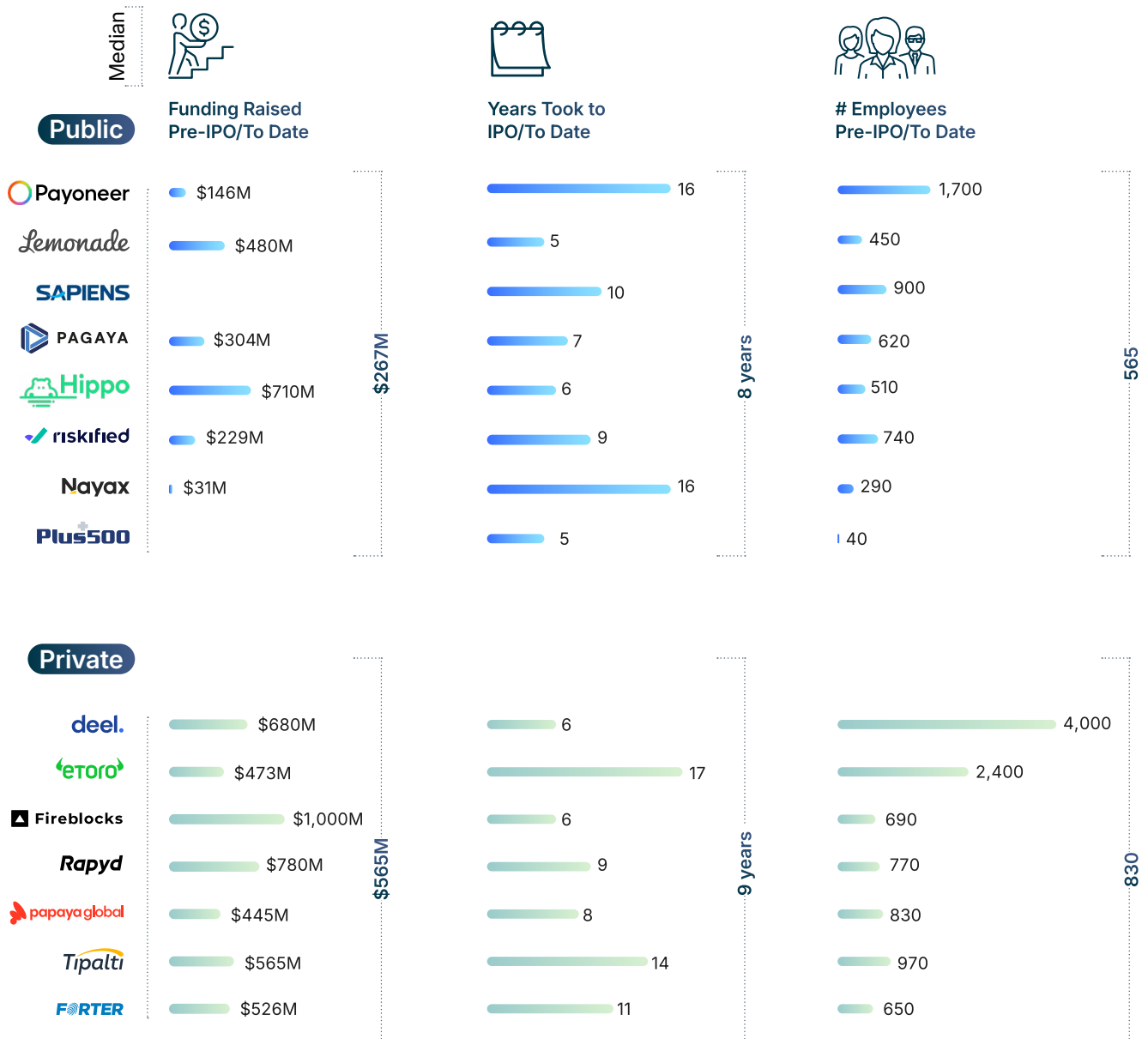
# Israel's Private FinTechs Ready for IPOs

With impressive valuations and a strong focus on scaling, Israeli FinTechs are entering a new phase of rapid maturity. Many of these companies are now well-positioned to access public markets, showcasing a level of readiness that surpasses their predecessors.

**Israeli FinTechs are entering a new phase of rapid maturity**

Israel's current public FinTechs raised \$267 million pre-IPO, took an median of eight years to go public, and had 565 employees at IPO. In contrast, today's private FinTechs have raised \$565 million to date, with a median operational span of nine years and a workforce of 830 employees.

This evolution marks a pivotal chapter in Israel's FinTech growth journey, as these companies leverage their maturity and innovation to seize IPO opportunities and solidify their place on the global stage.



Source: Viola Data, IVC, SNC, Pitchbook





Viola's Investment Theses:

# Driving FinTech's Future

As the FinTech sector enters a period of renewed growth and innovation, our investment theses offer a strategic framework for understanding where the sector is headed and where the greatest opportunities lie for investors and innovators alike.



VIOLA  
VENTURES



VIOLA  
GROWTH



VIOLA  
CREDIT



VIOLA  
FINTECH

# Viola Ventures Investment Theses

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## Vertical FinTech

Vertical FinTech address inefficiencies in legacy industries through financial solutions seamlessly integrated into existing workflows and value chains. These innovations go beyond simplifying transactions; they enhance operational efficiency, unlock new revenue streams, and enable industries like healthcare, logistics, and real estate to evolve with tailored, high-impact solutions. Unlike traditional embedded finance, which often provides generic capabilities, Vertical FinTech aligns with the specific needs and goals of each sector, driving meaningful innovation across the ecosystem. We believe that by supporting these transformative technologies, we can catalyze the digital transformation of critical economic sectors.

## Liquidity Platforms

Liquidity Platforms leverage AI to unlock the potential of traditionally illiquid assets by enabling their efficient underwriting, distribution, and transfer of ownership. These next-generation financing platforms facilitate synthetic or legal transactions in asset classes such as music royalties, real estate ownership, private equity stakes, intellectual property, and precious metals. By automating complex processes, these platforms significantly reduce friction, broaden access to alternative asset markets, and create new avenues for monetization. We believe that investing in liquidity platforms at the forefront of this evolution will drive innovation in capital markets and democratize access to wealth-building opportunities.

## Core AI Transformation

The core AI transformation of traditional financial service providers presents a compelling investment opportunity as AI moves from incremental improvements to full-scale disruption. By embedding directly into core workflows, AI is revolutionizing operations across banking, insurance, asset management, and payments, driving unparalleled efficiency and scalability. These transformations enable providers to enhance decision-making, streamline regulatory compliance, optimize risk management, and deliver highly personalized customer experiences. We believe that investing in companies at the forefront of this shift will redefine the competitive landscape of the financial sector and unlock new growth and profitability opportunities.

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**Viola Ventures** is an early-stage fund committed to transforming Israeli startups into global category leaders, starting from the ideation stage. The fund has supported some of Israel's most trailblazing FinTech companies, including Actimize (acquired by NICE), Payoneer (Nasdaq:PAYO), Pagaya (Nasdaq:PGY), Personetics, Faye, EverC and more.

[www.viola.vc](http://www.viola.vc)

# Viola FinTech Investment Theses

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## Contextual Finance

Contextual finance is the next evolution of embedded finance, focusing on delivering personalized, relevant, and timely financial products based on a customer's primary intent and journey. Unlike traditional embedded finance, which often integrates financial capabilities for cheaper distribution and additional revenue streams, without adding significant value to the customer, contextual finance aligns with the broader goals of the customer. We remain strongly convinced of the opportunities within contextual finance and believe that areas such as Insurtech, Equity Research & Investment Advice as well as various Vertical Fintech applications will drive significant innovation in this space.

## Future of Trust

The advent of technologies such as AI, RTP, and open banking is creating a unique change in the concept of trust. FIs, consumers, businesses, and regulators realize that significant aspects of decisions they entrusted to humans for a millennium will irreversibly move to be made by machines and algorithms. The emergence of Large Language Models (LLMs) and diffusion models capable of generating highly believable artificial data are significantly reducing fraud costs. In parallel, the velocity and irreversibility of real-time payments makes it virtually impossible to recover stolen funds while the widespread adoption of open banking introduces new vulnerabilities by providing standardized access to sensitive financial data. To address these challenges, innovative infrastructure solutions leveraging AI and shared network data are essential.

## AI Reshaping Wealth Management

Wealth management is a key area of focus for our investment strategy, driven by transformative trends reshaping the industry. The emergence of AI is revolutionizing both the customer-facing front end and operational back end, enabling hyper-personalized advice, seamless user experiences, and efficient decision-making processes. Coupled with the unprecedented wealth transfer expected in the coming decade, the demand for innovative solutions in the wealthtech space is surging. These innovations will cater to the evolving needs of both seasoned investors and the next generation of wealth holders, facilitating a seamless generational wealth transfer.

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**Viola Fintech** invests in companies that are set to reshape the future of financial services such as Insurtech, Regtech, Proptech and Payments across the U.S., Canada, Europe and Israel. The fund is led by experienced operators with decades of combined experience in the Fintech space and is backed by some of the most prominent financial institutions in the world.

 [www.violafintech.com](http://www.violafintech.com)

# Viola Credit Investment Theses

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## AI-Powered Underwriting

Next-generation AI underwriting platforms are transforming risk management for financial institutions and fintechs. These advanced systems use sophisticated algorithms to analyze vast datasets with unmatched precision and speed, enabling highly tailored risk evaluations and customized financial solutions. By reducing operational costs, increasing efficiency, and dynamically adapting to market conditions, AI-powered underwriting is setting new standards in credit innovation.

## Tech-Enabled Lending

As traditional banks face growing competition, tech-driven lenders are redefining the credit landscape with faster, user-centric solutions. Leveraging digital platforms and AI technologies, these modern lenders address underserved markets and meet rising consumer demands for speed and convenience. The acceleration of tech-enabled lending is reshaping financial ecosystems worldwide, driving scalability and inclusivity.

## Embedded Lending

Embedded finance is seamlessly integrating lending functionalities into everyday platforms, creating context-aware, frictionless experiences for consumers and businesses alike. By lowering distribution costs and expanding access to credit, embedded lending unlocks new monetization opportunities and redefines how financial services are delivered and consumed.

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**Viola Credit** is a global credit asset manager with over \$2.5 in AUM focused on supporting the growth of the innovation economy through asset-based lending (ABL) solutions and growth capital to best-in-class FinTech, PropTech, and InsurTech companies that are disrupting traditional financial markets. The fund has completed over \$2.8b of asset-based lending transactions with footprint across the U.S, U.K, Western Europe, and Australia.

[www.violacredit.com](http://www.violacredit.com)



# Viola Growth Investment Theses

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## **Agentic AI Solutions**

Agentic AI is revolutionizing structured, repetitive processes in compliance, regulatory technology (regtech), and accounting. By automating these functions, businesses can focus resources on strategic growth, improving operational accuracy, and reducing costs. This transformation enhances scalability and positions organizations for long-term success in an increasingly competitive market.

## **Embedded Financial Services**

Embedded finance is breaking boundaries by integrating lending, insurance, and wealth management into everyday digital ecosystems. With advancements in APIs and real-time data, financial services are becoming invisible yet seamless, delivering frictionless experiences for users. This evolution is driving exponential growth for FinTech platforms, creating new opportunities for customer engagement and revenue generation.

## **Financial Cybersecurity**

As FinTech platforms scale, the risks of fraud and manipulation in real-time financial systems grow. Next-generation cybersecurity solutions, powered by Generative AI, are emerging to safeguard financial trust and system stability. These technologies are essential for maintaining resilience, ensuring growth, and protecting the integrity of the global financial ecosystem.

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**Viola Growth** is Israel's first and largest growth fund, with <\$1B AUM. The fund specializes in propelling Israeli startups through their growth by developing robust strategies, scaling efficiently, and fostering global partnerships.

**[www.violagrowth.com](http://www.violagrowth.com)**



FinTech isn't just recovering - it's reshaping the financial world.

If you're part of the next FinTech revolution, we want to talk to you.

Reach out at [DF@viola.vc](mailto:DF@viola.vc)