

Portage's Fintech Outlook 2025



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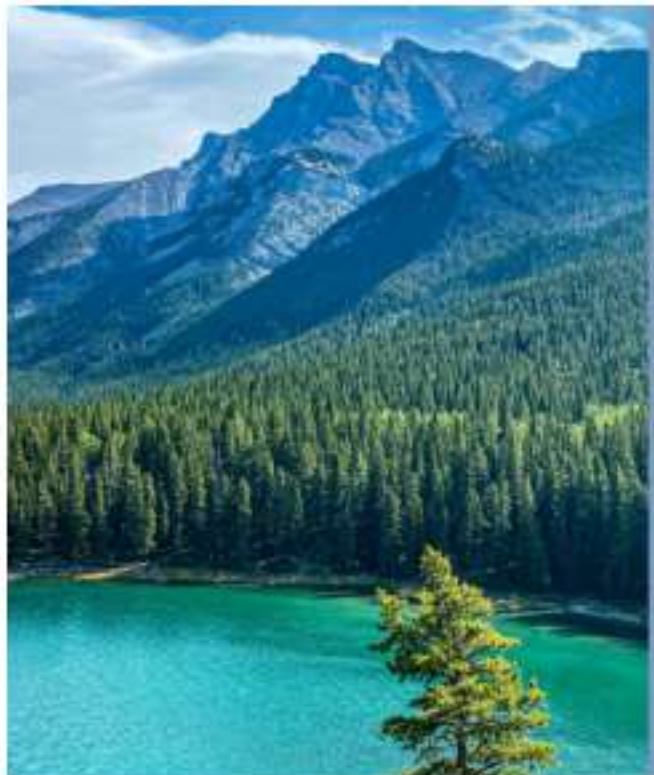
These are our focus areas for investment in 2025.

Portage is a fintech and financial services investment platform. We take a thesis-driven approach to our investing, generating differentiated insights from our understanding of market dynamics. We build conviction on investments through a combination of our deep industry insight - informed via our portfolio companies and corporate partners. For us, an informed view of fintech is especially relevant in a rapidly changing world.

The following outlook is an overview of the trends and investable themes that the Portage team is actively exploring this year. The goal is to help you understand where we're looking for our next portfolio company and, hopefully, in the process help inform how your organization is thinking about your own related strategic priorities.

Please reach out if you'd like to discuss in more detail any of the themes that follow. Our passion is fintech and we are happy to discuss at your convenience. We also love to hear about your business and technology pain points as this information helps advise where we look for new investments.

Themes by Vertical



- [Jump to Banktech](#)
- [Jump to Consumer Finance](#)
- [Jump to SMB Finance](#)
- [Jump to Insurance](#)
- [Jump to Wealth and Asset Management](#)
- [Jump to Crypto and Blockchain](#)
- [Jump to Payments](#)

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Green shoots and storm clouds



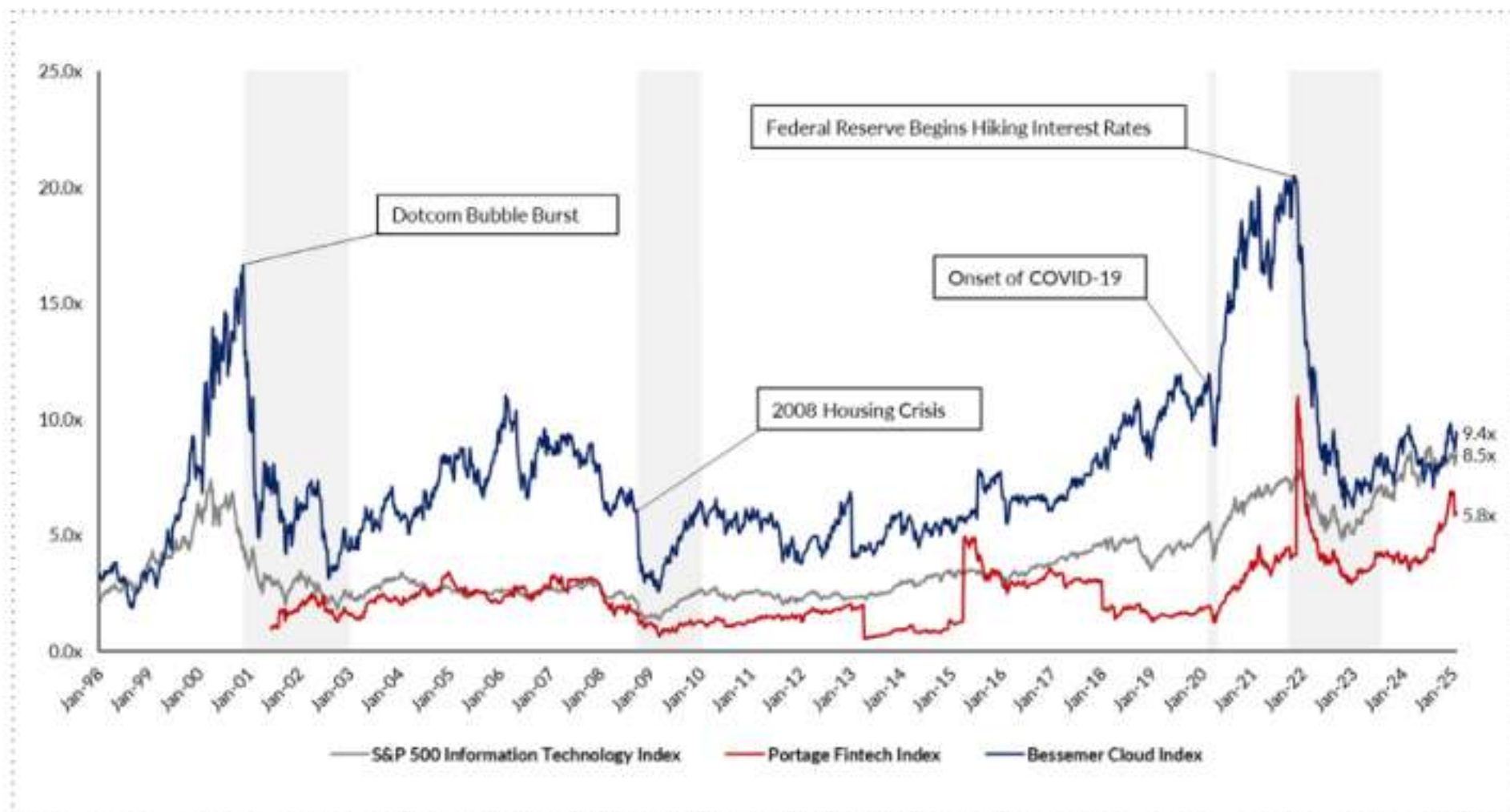
Introduction

There is no doubt that the shocks to the financial markets and to the global economic landscape this spring will impact entrepreneurial companies, including those in the fintech space. Yet, it's important to bear in mind that success in disruptive technologies typically occurs over years, not months or quarters. At Portage, we take a long view of fintech opportunities, and while recent market uncertainty can't be ignored, neither should it blind us to longer-term opportunities.

The fintech space began 2025 on a more optimistic note than in recent memory. Valuation multiples in technology firms recovered last year from the 2022-2023 period of higher interest rates¹ and private market valuations were buoyed by public market activity throughout 2024. AI was a contributing factor to these developments as evidenced by the fact that in 2023, 21% of all private market investment activity was AI-related, and in 2024 the number rose to 37%.²

Fintech valuations generally followed this pattern, recovering in 2024 towards previous highs. This was especially pronounced among early-stage firms, but there were also signs of recovery for later-stage valuations, although more volatile.

Price-to-Sales Ratio Between Jan'98 - Jan'25



1. Portage analysis based on data from S&P Capital IQ.
2. State of Venture 2024 Report, CB Insights, January 2025.

Green shoots and storm clouds (cont.)



Introduction



Portage's position at the top of the league tables in 2024⁴ speaks to our commitment to fintech. We have been one of the largest capital deployers in what has been arguably a pretty challenging market."

Adam Felesky,
Co-founder and CEO, Portage

Moreover, M&A and IPO activity both showed signs of life. On the M&A front activity was starting to pick up, largely driven by sponsors and strategics, and at healthy multiples. For example, **Alkami's** acquisition in February 2025 of **Mantl**, a point solution, valued the firm at about 12 times revenues. Notable, too, was **Munich Re's** acquisition of **Next Insurance** to help bolster their direct insurance business, ERGO.

Meanwhile, the fintech IPO pipeline was poised to be the best in years. The scheduled IPOs of firms like **Klarna** are being eagerly anticipated and the pipeline of potential IPOs looked strong, including the likes of **Revolut**, **Chime** and **Tabby**.³

However, the geopolitical and economic uncertainty, caused by U.S. trade policy, drove markets down near correction territory. As a result, most IPOs have been shelved in the near-term. While it's too early to tell how this will play out in the longer term, we firmly believe that ultimately it is company specific fundamentals that will drive long term results and it is this view that will guide our investment decision making.

3. Portage analysis based on data from Pitchbook and Yahoo Finance.
4. 2024 Fintech Almanac. FT Partners. February 2025.



Macro Trends

The outlook for banking fintech is largely a continuation of existing dynamics, but 2025 will likely be differentiated by heightened uncertainty.

On the continuation front, banks and other financial institutions continue to grapple with margin pressure. In the U.S., moderating interest rates have led to a decline in net interest margins, while banks also deal with new limits on “junk fees” and rising operating expenditures. In Europe, a more onerous regulatory environment and ongoing geopolitical tensions are increasing cost pressures. These factors are only reinforcing the need for modern infrastructure (a theme Portage has been investing in for years), along with a heightened focus on non-interest revenue streams and strategies to contain operating expenditures.

On the uncertainty front, there is the regulatory landscape. Particularly in Europe, Basel III’s next phase and stronger consumer and data protection regulations could significantly impact existing business models and the systems that support them. In the U.S., however, the purview—and staff count—of the Consumer Financial Protection Bureau (CFPB) has been severely curtailed under the Trump administration, implying a shift in the balance between consumer protection and business needs. While that may well prove a tailwind for U.S.-focused banks, the diverging regulatory trends might also lead to increased complexity for institutions operating in multiple jurisdictions.

Meanwhile, open banking continues to gain traction globally, which will require banks to more aggressively adopt technological updates for API integration, enhanced security and better data management. As well, even as Europe and the U.S. seem to be on diverging consumer protection paths, the advent of quantum computing is driving more focus on cyber security generally among banks.



Banktech (cont.)



Themes by Vertical

Investable Themes

Given increased pressure on margins, banks are sharply attuned to the need for cost and capital efficiencies.

To improve capital efficiency, we see strong demand for solutions that efficiently distribute credit risk to third parties (credit risk transfer, or CRT) and for flow deals where banks originate loans for private credit funds.

To enhance non-interest revenue opportunities, banks are looking for opportunities to develop **tailored pricing and services**, as well as to **cross-sell services** to customers. That will require stitching together data from across siloes—a modernization effort for which AI-driven solutions may be particularly well suited. AI can also facilitate modernization of core infrastructure to make it compatible with modern software, core conversions and micro-service apps. Portage portfolio firms **Formance**, which provides a core infrastructure platform for banking applications, and **Tuum**, a cloud-native banking platform, are two companies active in this space.

Finally, we see a heightened need for **Model Risk Management (MRM)**, both to address emerging technologies and their associated risks and in response to regulatory pressures. Among relevant fintechs in this area is **ValidMind**, which streamlines and automates AI model testing and documentation for MRM teams.

Consumer Finance



Themes by Vertical

Macro Trends

Consumer fintech has been quiet for several years now, but recently there have been some signs of a rebound. In terms of total venture capital investment, 2024 saw a 55% increase over 2023.⁵

While funding in the space is still only about a quarter of its level in 2021, we typically see stronger interest when publicly traded fintechs are performing well, as they did in 2024. Most of the rebound in activity to date has been driven by growth-stage investing, with large secondary rounds for firms such as **Revolut**, **Monzo** and **Wealthsimple**. The early-stage landscape tells a different story: seed stage funding in 2024 was down 18% year over year.⁶

Notably, the expectation for consolidation in consumer fintech has largely played out, with acquisition activity remaining strong; for example, **Brigit** and **MoneyLion** are two names that were recently privatized, at healthy multiples of around 20 times earnings.⁷

On a broader scale, one of the more potentially significant developments for consumer fintech is the **shift in the U.S. regulatory environment**. The Trump administration has effectively put the CFPB on pause, and lawsuits and enforcement actions relevant to the space have been dropped. On the one hand, a more business-friendly regulatory landscape could be very beneficial to consumer fintech, insofar as it may create a boom in the lending category. On the other hand, it might also increase the risk of consumer delinquencies, and we are already seeing more of those in key categories such as credit card debt and automobile loans in the U.S. and Canada.

All those trends are playing out while a deeper one is fundamentally altering consumer behaviour: the surge in activity and **growth in the consumer AI space**. E-commerce continues its ascension in retail, but consumers are increasingly buying in a different way—through AI-powered “agents”. Meanwhile, ChatGPT and other large language model (LLM) “wrappers” have become the largest category of new consumer applications in just a few months. We are thinking carefully about how fintechs will leverage these capabilities and the reach of these new “front pages” of the Internet.

5. Q4 2024 Retail Fintech VC Trends. Pitchbook. March 2025.

6. Venture Capital's Dangerous Divide. Forbes. March 2025.

7. Portage analysis based on data from S&P Capital IQ.

Consumer Finance (cont.)



Themes by Vertical



We see new and interesting early-stage companies emerging around this idea of being able to automate one's financial life with an AI-enabled 'financial concierge.' Large language models could provide solutions for inexpensive financial advice to the big part of the consumer market that does not have access to affordable advice today.



Stephanie Choo,
General Partner, Portage Ventures

Investable Themes

The emergence of LLMs in the broad consumer space raises intriguing possibilities for new consumer fintech applications. One such possibility is the long-awaited promise of fintechs which can completely automate one's financial life - servicing as both a financial advisor and concierge.

We are excited about a future in which a new LLM-enabled application will be able to provide the same advice and service as a private banker at a fraction of the cost. These should be able to automate everyday tasks like bill payment, sending money to other accounts, finding the best priced auto insurance renewal and disputing a credit card charge. There are clear challenges for fintechs to solve: to turn insight into action, they will need to plug into existing money movement and banking infrastructure, which have not modernized for decades. There are also trust and security hurdles to clear when enabling financial agents, which have access to payment rails.

Consumer Finance (cont.)



Themes by Vertical

Another related theme that we are excited about is the potential for hyper-personalized, **context-aware consumer fintech applications** that would, for example, be plugged into a consumer's bank accounts and "understand" their insurance coverage, investment portfolios and overall financial life. One potential use case: investing platforms with personalized direct indexing.

In this race to provide the mass consumer base with a level of (AI-enabled) financial management and advice that is currently available only to high-net-worth individuals, companies with scale and data advantages may be better positioned to win. A startup that does not have payment capabilities and their own customer data will likely face insurmountable challenges from large public companies and fintechs. That reality favours growth-stage companies that are already well positioned in the market. Among those late-stage firms exploring opportunities in this space are Portage portfolio companies **Albert**, which provides solutions that help customers spend, save, invest and protect their money; **Kikoff**, an app that helps consumers build credit; and **Achieve**, a lending solution platform.

Looking over the longer term, an important question is the extent to which LLM agents will become the new front page of the Internet and what it means for the **consumer experience**. Will ChatGPT become the new Google? Will agent-based UX replace the Web browser? What will the consumer UX interfaces of the future look like?

Unlike what we are seeing in the first iterations of LLMs, we do not believe that search bars and text-based prompts / responses will be the dominant new interfaces. We are more bullish on a new UX framework, perhaps one that resembles TikTok—based on a set of very curated, hyper-personalized data. That would provide numerous potential entry points for fintech, including payments, data orchestration and permission layers.

We are watching this space closely and would love to talk to you if you are building the next generation of agent enabled consumer finance.



Macro Trends

The trend towards small business creation is accelerating. Today, small and medium-sized businesses (up to 500 employees) comprise 95% of all businesses worldwide (about 99% in the U.S. and Canada) and account for more than 60% of jobs, contributing about half of GDP across developed economies.⁸

With the profusion of gig work, it's estimated that SMBs create more than two million new jobs every year in the U.S. alone.⁹ Beyond macroeconomic and demographic forces, technology is also a driver of this trend. Gig work platforms are empowering freelancers, influencers and content creators to effectively run their own small businesses and assemble teams as those enterprises grow; platforms like **Shopify** are facilitating SMB creation through e-commerce and trade; vertical SaaS solutions are lowering the barriers to business operations and record-keeping.

Yet, despite their remarkable growth in numbers, SMBs also face real challenges. For small businesses, global economic uncertainty has real-world implications. Among them is **input cost inflation** in areas such as labour, healthcare, insurance and energy, which have a direct and meaningful impact on SMBs. Another, related issue is volatility in the global trade policy landscape. These challenges have made SMBs very mindful of the need for revenue and pricing optimization.

Meanwhile, **demand for credit** from SMBs has continued to surge, but approval rates from traditional lenders have been declining. Loans from traditional lenders, however, are only the third largest source of SMB funding—the top two are personal finances and personal networks.¹⁰ This clearly exposes SMB owners to substantial risk, and solutions that facilitate separation of business and personal accounts and credit cards remains a large opportunity area. We are also seeing opportunities around the use of alternative data, whether through open banking or e-commerce platforms for gig workers, for underwriting SMB credit.

Another obstacle SMBs face is the increasing complexity and volatility of tax and other policies, which are forcing them to spend more time on **administrative tasks** and less time on growth. A recent survey of European SMB owners found that an estimated 40% of their time is spent on admin and financial management¹¹—tasks that can potentially be automated to some extent,

8. Global developments in SME markets over the past decade. World Federation of Exchanges. September 2024

9. New Advocacy Report. Office of Advocacy. November 2024

10. A New Generation of SMBs. Accenture. June 2022.

11. European entrepreneurs challenged by high administrative burdens. Visma. August 2024

SMB Finance (cont.)



Themes by Vertical

including cash disbursement, general accounting and operations. AI-powered solutions in particular may be a driving factor in keeping administrative costs down. While SMBs have historically relied more on pen-and-paper solutions than on new technologies, that may be changing: research suggests that three-quarters of SMBs are planning to invest in technology capabilities in the future.¹²



Investable Themes

As tax compliance becomes more complex and the nature of work and payments evolves, there is a clear market gap in tech solutions for SMB accounting and tax automation.

While there are already large, well-funded businesses in the accounting space generally, no players exist at scale in the business tax space. We see opportunities there, as well as for accounting data infrastructure platforms that provide data connectivity across organizations. Two companies we are watching in tax and accounting are **Nitra**, an all-in-one finance platform for healthcare practices, and **Kick**, a “self-driving” bookkeeping solution for entrepreneurs. Both are bringing AI-powered solutions into play.

Other fintechs are capitalizing on the broad trend of SMB formation growth and specialization. Verticalized fintech with highly integrated workflows or vertical-specific differentiating features are becoming more popular. Along with Nitra, **TruckSmarter** (a suite of tools and financial services for trucking businesses) and **Constrafor** (risk management for construction firms) are a few of the companies we are watching in this space.

12. European entrepreneurs challenged by high administrative burdens. Visma. August 2024



Macro Trends

The macro picture for the property and casualty (P&C) market is mixed, and volatility is high given substantial economic uncertainty.

Over the past two years, industry growth has largely been driven by **higher interest rates**, which have been fuelling projections of nearly 8% CAGR in the global P&C market to 2030, with limited expansion into new risk areas.¹³

According to the World Economic Forum, **extreme weather** will be the most significant risk globally over the next decade,¹⁴ insured losses from catastrophic storms, floods and earthquakes—now the top 3 most costly disaster categories—may be measured in the trillions of dollars.¹⁵

In our view, continued profitability in the sector will rely on **enhanced operational capabilities and execution**—a clear opportunity for new technology solutions. AI shows significant potential here, but while about three-quarters of U.S. insurance firms have implemented AI capabilities in at least one business function,¹⁶ they have been slow to move to enterprise implementation. Discomfort around data security, data privacy and other potential governance, legal and compliance issues are barriers to full adoption.

One driver of product led growth in the insurance sector is the cyber insurance market, which is increasingly mature and continues to attract new capacity. The cyber insurance and reinsurance industry is poised to benefit from solid underwriting capabilities and increases in rates; premiums are expected to reach about \$23 billion by 2026.¹⁷

A related industry—pensions—merits attention as well. Increased longevity, new government policies and higher inflation are driving a **significant shift in the pensions industry** as countries face the prospect of supporting a larger aging population while the working-age demographic wanes.

13. Property and Casualty Insurance Market Size Report 2030. Grand View Research. January 2024.

14. Global Risks Report 2024. World Economic Forum. January 2024.

15. Transforming National Resilience Systems for Future Generations. World Governments Summit 2024. July 2024.

16. AI Revolution in Insurance: What to Expect in 2025. Insurance Thought Leadership. February 2025.

17. Cyber Insurance Market Outlook 2025: Cycle Management Will Be Key To Sustaining Profits. S&P Global. November 2024.

Insurance (cont.)

Themes by Vertical



Investable Themes

In the P&C market, we see the need for enhanced operations and efficiencies driving the adoption of point solutions that can be integrated into existing technology infrastructure and processes.

Claims processing is a key focus area, where AI in First Notice of Loss (FNOL) solutions can help insurers realize efficiencies in claims triaging, cycle time and fraud, while improving the customer experience. Two firms we are paying attention to in the claims area are **Harbor** and **ClaimSetter**.

There is also potential in new **underwriting and pricing solutions** linked to market data and claims solutions, as well as providers of rapid market assessments for adjacencies, for instance in employee benefits and wellness. Firms we are watching in the space include **Modern Life**, a brokerage platform; **Bestow**, a provider of origination, underwriting and processes solutions; and **FASST**, a digital insurance distribution solution.

The rise of weather-related disasters and the industry's heightened focus on risk is driving incumbent P&C carriers to pull back from coverage in some high-risk sectors. (State Farm, for example, is paring back on home insurance policies in California due to wildfires.¹⁸) That pullback is creating opportunities for fintech in Excess & Surplus (E&S) lines of insurance, where demand is growing for tailored solutions that can help manage and mitigate risk. Two fintechs operating in this space are **Green Re**, which provides risk transfer solutions to climate technologies, and **Pathpoint**, a solution that helps P&C insurance agents find E&S coverage for clients.

Finally, the challenges faced by the retirement savings space, including pensions, open opportunities for cloud-based solutions that can enhance efficiencies, connect with existing infrastructure and interface through open APIs to foster collaboration. **Micruity**, a platform which provides a central clearing house for managing annuity-related data, is among the companies we are watching here.

18. [Is insurance tech the key to growing your E&S division?](#) Insurance Business America. January 2025.

Wealth & Asset Management (WAM)



Themes by Vertical

Macro Trends

The most significant trend in WAM is the growth in the private asset/alternative investment market, which is expected to reach \$30 trillion in assets under management by 2029.¹⁹

High-net-worth and ultra-high-net-worth customers are poised to be key growth drivers. That is in part because HNW and UHNW investors are underweight in private markets compared to institutional investors, whose revenues from WAM alts have plateaued. There are also **regulatory tailwinds**, as several jurisdictions (including Europe) reduce requirements for accredited investors and make it easier for mutual funds to own private assets.

\$30Tn
Assets Under
Management by 2029

Those trends, among others, are playing out as the **wealth management industry is investing heavily in technology**, with global tech spending expected to grow by 4.5% CAGR through 2028.²⁰ As well, registered investment advisors (RIAs), we believe, will increasingly outsource investment management functions, driving the turnkey asset management program (TAMP) industry to grow by an expected 10.8% CAGR through 2033.²¹

We are also seeing a massive uptick in **WAM demand for AI solutions**. A 2024 survey by PwC found that nearly three-quarters of asset and wealth management firms see AI as the most transformative technology over the next two to three years.²² AI is a top priority for investment managers as they seek to improve revenue growth and productivity. Over the longer term, it could be an important tool to provide younger generations of investors with the hyper-personalized products and services they are likely to expect. In asset management in particular, where the industry is facing significant fee compression and operating efficiencies are increasingly in focus, portfolio managers are already embracing AI's disruptive potential in analyst functions, monitoring key positions and correlations, summarizing earnings and developing newsletters and compliance reports.

19. Global alternatives market on course to exceed \$30tn by 2030. Preqin. September 2024.

20. Wealth Management IT Spending: What Technology Areas Will See the Strong Growth?. Celent. February 2024.

21. Turnkey Asset Manager Program XX CAGR Growth Analysis 2025-2033. DiMarket. February 2025.

22. 80% of asset and wealth managers say AI will fuel revenue growth. PwC. November 2024.

Wealth & Asset Management (cont.)



Themes by Vertical

Investable Themes

When we look for investable themes around WAM fintech, we note that providing access to alternative investments does not, in and of itself, constitute a competitive moat in today's rapidly evolving environment.

Someday, perhaps, in the future it's possible that smart GPs will distribute private asset opportunities directly to retail investors, while secondary funds (should alternatives' popularity among retail investors continue) will more aggressively enter the retail space.

However, the growth in retail-held private assets will increasingly require investment in **new infrastructure** to manage or improve tasks such as valuation, fund accounting and capital call management, creating opportunities for fintech solutions. One name to watch in this space is **Lemonedge**, an end-to-end accounting software platform that provides scalability for the private market. As well, we see solutions that meet liquidity needs as value drivers; Portage portfolio company **Pluto Credit**, an alternative assets-backed lending platform for investors, is among the firms active in this space.

On the RIA side of things, some fintechs are entering the fray by providing full direct-to-consumer wealth management platforms to compete with incumbent advisor firms. For example, **Farther** provides comprehensive wealth management by combining expert advisors and technology. RIAs, however, are fighting back by moving away from legacy solutions and adopting new technologies. This is creating real opportunities for verticalized TAMPs to serve the advisor community better. Among fintechs in the advisor-support space is Portage portfolio firm **Seeds Investor**, an end-to-end platform for streamlining and enhancing investment planning for financial advisors.

Over the longer term, AI is emphasizing the need for a **common data infrastructure** that enables AI-driven insights, automation and hyper-personalized client experiences. This could create intriguing opportunities in often-overlooked areas. For example, financial data provision: AI-enabled disruptive fintechs could leverage longitudinal data sets and publicly available data to access the huge revenue pools that are currently the domain of incumbents like S&P and Moody's. One firm actively pursuing such opportunities is **FinChat**, an investment research platform that combines institutional-grade data and analytics with conversational AI.

Crypto and Blockchain

Themes by Vertical



Macro Trends

Crypto enjoyed a strong resurgence in investor and market enthusiasm coming out of 2024 and into the first quarter of this year.

Much of this momentum was driven by a **shifting regulatory and political environment in the U.S.**, where the Securities and Exchange Commission dropped its lawsuit against popular crypto platform **Coinbase**, and the Trump administration has made clear its enthusiasm for cryptocurrencies (Trump's own memecoin at one point reached a market capitalization of \$14 billion).²³

Meanwhile, **Bitcoin ETFs** showed strong inflows through 2024, with more than \$40 billion in cumulative flows,²⁴ and public markets increasingly favoured crypto and crypto-adjacent players, some of whom seemed poised for an IPO.

Like other asset classes, crypto was swept up in the market downturn in early April, and where valuations go from there are still uncertain. However, some secular trends may support the area over the longer term. One is that **stablecoin** use cases seem to have hit the mainstream. Global stablecoin flows exceeded \$27 trillion last year—outpacing the volume of Visa and Mastercard combined²⁵—and utilization in emerging markets continues to accelerate. Meanwhile, use cases for **tokenization** have returned to the discussion over crypto, in a manner similar to the increased appetite for alternative assets like private equity and credit. The Stripe acquisition of Bridge for \$1.1 billion and subsequent partnership of Bridge and Visa to launch a stablecoin backed credit card are pulling interest into the space.



23. [Official Trump Markets](#). CoinMarketCap.

24. [Bitcoin ETF Flow \(US\\$mn\)](#). Farside Investors.

25. [Stablecoins surpass Visa and Mastercard with \\$27.6 trillion transfer volume in 2024](#). CryptoSlate. January 2025.

Crypto and Blockchain (cont.)



Themes by Vertical

Investable Themes

We see increasing mainstream adoption of stablecoins creating several opportunities.

One, of course, is the launch of new stablecoins around the world. Today, the market is dominated by incumbent U.S. dollar denominated stablecoins - namely Circle, Tether and a Ripple renaissance. We are excited about the potential development of other new stablecoins that support specific use-cases. Among fintechs in this space, **1Money**, another Portage portfolio company, is building a purpose-built platform designed to provide high latency and low cost solutions for micropayments in stablecoin. To support international money movement, we believe there will need to be stablecoins in other denominations and we are tracking several projects across Europe (e.g. **Monerium**), LATAM (e.g. **Crown**) and Asia.

To this end, we are also excited about investing in new aggregation **infrastructure to support stablecoin** issuance and management. **Conduit**, a Portage portfolio firm provides local on and off ramps allowing companies to easily convert from local currencies into stablecoins-primarily serving B2B payments applications. There is plenty of room for improvements in remittances, foreign exchange management and B2B payments and the ultimate stablecoin use case is to replace the SWIFT network.

Moving beyond stablecoins, and with lower regulatory barriers on crypto and the growth in tokenized assets could translate into incumbents looking to **enhance their infrastructure**, creating opportunities in custody, trading, transfer agency services and margin lending. **CoinShares**, **Bitpanda** and **Hashdex** are relevant companies in this space.

Finally, in a digital world increasingly dominated by AI agents, blockchain solutions for **decentralized identity** authentication may become important. Our initial view is that centralized identity will continue to be more relevant, at least in the short term, but it is an area we are watching.

Payments

Themes by Vertical



Macro Trends

Payments is a relatively mature segment of the fintech space, and it is a large and heterogeneous one. Therefore, relevant trends vary dramatically.

Yet one of the more secular ones is the ongoing **commoditization of core payment functions**, which has led to a strategic emphasis on value-added services. Increasingly, companies want a technology provider that can offer multiple products to serve several functions, ideally in an integrated solution. This trend is driving M&A in the sector, where markets are rewarding scale and profitability. In our view, subscale providers and/or those with limited product offerings will be ripe targets for acquisition. Commoditization of payment services has led payment companies to increasingly explore ways to **monetize data** as a new revenue source.

Account-to-account (A2A) payments have been gaining traction, although the space has been slow to build. As regulators move to open banking, they are moving the market closer to A2A adoption, which relies on consumer data ownership and streamlined payment solutions. However, in the U.S. and Canada, the dominance of card payments is a real challenge; as well, the current political environment in the U.S., which is leaning towards minimal consumer protection, may present a headwind for A2A payments adoption down the road.

Investable Themes

One of the key themes in payments is the drive to leverage payments data into new revenue. Digital payments capture huge amounts of data at point-of-sale on both consumers and merchants, that data can be used to generate insights for other business areas. We are actively exploring payment businesses with large consumer bases and **promising datasets that we believe can be leveraged to generate significant revenue growth**, for example through sales to marketers, financial institutions or their intermediaries.

Payments (cont.)

Themes by Vertical



Increasingly, **embedding payments into vertical software offerings** is an attractive monetization strategy that increases margins and client stickiness. Vertical SaaS platforms that have positioned themselves as trusted vendors—think Shopify—are natural providers of the full spectrum of embedded products to merchants. Portage is aggressively pursuing sticky SaaS companies that do not have a mature payments offering to push through their customer network. As well, among our portfolio companies are firms like **Lopay**, an embedded-services platform that allows in-person point-of-sale payments for SMEs and independent merchants. A related play (and Portage portfolio company) is **Valsoft**, which specializes in the acquisition and development of vertical market software businesses.

Finally, we would note that while the fintech payments market is relatively mature, one large customer set remains ripe for disruption: **healthcare payments**. The current infrastructure in healthcare payments is extremely antiquated, and we believe there is a significant opportunity for fintech solutions to increase efficiency and reduce waste and fraud.

Conclusion



Last year was in many ways a challenging one in fintech, and 2025 has already been marked by heightened geopolitical, economic, and regulatory uncertainty. Yet amid the volatility, other long-term factors are creating opportunity. AI, for one, is a secular theme. We see it increasingly applied across the spectrum of fintech products. The regulatory landscape is also rapidly evolving, which should open areas of opportunity, at least in some verticals.

At Portage, our advantage lies in our expertise. It allows us to look past the noise to discover investable opportunities. We remain confident that our sharp focus, in-depth research and differentiated thinking will serve us—and our partners—well. That a vertically-focused approach sets a solid foundation to help navigate a choppy investment environment in 2025.



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The Portage investments detailed herein are for illustrative purposes and represent a subset of Portage portfolio companies. Please refer to the full Portage track record, located in the 'Valuations and Finance' folder of the VDR, for a complete list of Portage investments.

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