EMERGING TECH RESEARCH

16 Key Takeaways From Fintech Nexus USA 2023

What to know about generative AI, fintech VC, and current opportunities

PitchBook is a Morningstar company providing the most comprehensive, most accurate, and hard-to-find data for professionals doing business in the private markets.

PitchBook Data, Inc.

John Gabbert Founder, CEO

Nizar Tarhuni Vice President, Institutional Research and Editorial

Paul Condra Head of Emerging Technology Research

Institutional Research Group

Analysis

Rudy Yang
Senior Analyst, Emerging Technology
rudy.yang@pitchbook.com

James Ulan
Lead Analyst, Emerging Technology
james.ulan@pitchbook.com

pbinstitutionalresearch@pitchbook.com

Publishing

Designed by **Julia Midkiff**

Published on May 16, 2023

Contents

Key takeaways

Conference observations

1. Recurring themes at Fintech Nexus USA 2023 included unit economics, profitability, fraud prevention, regulation, lending and credit, payment solutions, embedded finance, the role of data, and generative AI.

2. As with many 2023 conferences, Fintech Nexus USA 2023 reflected current market dynamics, a reduction in capital deployment and shifting focus from B2C to B2B.

3. Attendees remarked that last year's large US fintech conferences reflected the tail end of abundant and cheap capital, whereas this year's attendance and displays reflected a normalizing environment. Some of the largest conference attendees included BHG financial, TrueNorth, Mambu, Visa, MasterCard, and Plaid, though a handful of leading banks and fintech companies were absent.

State of fintech VC

4. Panels and our conversations with VC investment teams confirmed that virtually all investors have adopted a flight-to-quality mindset.

5. Fintech investments in recent years were based too highly on option value rather than intrinsic value, which allowed many valuations to reach unrealistically high levels.

6. Down rounds are necessary catch-up work for the fintech ecosystem, as they are a positive means for writing off risky investments and reinstating the flow of venture capital.

7. Investors were bullish on payments, vertical software, orchestration, AP/AR, and embedded finance.

Generative AI

8. The conference underscored that most fintech companies have not adopted modern generative AI; however, we see some progress with key pre-seed, seed, and early-stage startups, a few large tech-forward corporates, and select fintech companies whose management pays close attention to AI.

9. Customer service is an obvious use case for large language models (LLMs) and generative AI. Industry players expect further improvement in conversational AI. A powerful chatbot is likely to become the bare minimum for banks. Beyond that, we expect generative AI to eventually recommend products and even to market to customers within the mobile app or desktop websites.

Fraud prevention

10. Fraud prevention and KYC remained a prominent topic at the conference and will continue to be a growing issue due to the emergence of new fintech companies, the rise in technologies such as generative AI, and ongoing macroeconomic challenges.

11. Some fintech companies value regtech solutions based on the provider's ability to create custom solutions for easily facilitating data connections between their back-end systems.

Neobanks and neobrokers

12. Profitability is now imperative in neo-banking. The best-positioned neobanks and brokers have managed to build some of these components: checking accounts with direct deposit, paid monthly subscription models, multiple lending products (such as credit cards, cash advance, personal loans, mortgages, and student loans), and investing products.

13. Achieving profitability should enable certain scaled neobanks to eventually make small acquisitions, which will add rewards, lending, investing, and insurance products to their quiver.

14. Subscale cash-burning neobanks that still need to raise capital will likely have to reduce headcount and slow marketing spend to complete a raise. Some are likely to seek a buyer.

Additional takeaways

15. Deployment times matter for enterprise buyers of fintech services. Conference participants discussed deployment times in months and even weeks, reiterating that speed of implementation is a differentiating factor.

16. User experience and user interface (UX and UI) continue to be differentiating factors. One enterprise fintech company that enables banks and fintech businesses to install financial tools into consumer-facing mobile apps remarked that a strong UX/UI brings greater customer satisfaction. We believe this was and always will be the case in fintech.

Conference overview

Fintech Nexus USA is an annual conference hosted in New York City by media company Fintech Nexus, formerly known as LendIt Fintech. This year's event, which took place on May 10 and 11 at the Jacob Javits Center, brought together more than 4,000 attendees, 350 speakers, and 250 companies across 165,000 square feet of exhibition space. Recurring themes at the conference included fraud prevention, regulation, lending and credit, payment solutions, embedded finance, the role of data, and generative AI. In addition, given difficult macroeconomic conditions and recent banking turmoil, many conversations naturally revolved around which fintech companies seem poised to survive and succeed and what the future holds for fintech venture capital.

Notably, this year's conference reflected normalizing enterprise spending and VC capital deployment—some attendees remarked that the number of booths, keynote attendance, and total attendees reflected the environment, and certain leading banks and fintech companies were absent. On the other hand, one prominent founder remarked that Fintech Nexus likely remains the largest east coast fintech event and a valuable meeting place for growing his company. Overall, we believe the general sentiment at Fintech Nexus USA 2023 reflected cautious optimism. Unit economics are now an essential part of investment discussions; however, many funds noted they were still looking into finding the right opportunities, and there was no shortage of startups offering solutions for many of the existing pain points experienced by both consumers and businesses.

State of fintech VC

Panel discussions featuring fintech venture capitalists and our conversations with funds confirmed that virtually all investors have adopted a flight-to-quality mindset. Interest now appears to be directed mostly toward businesses that can achieve or realistically demonstrate a path to bottom-line profitability through strong recurring revenues and margin expansion. Accordingly, startups with subscription-based revenues, as well as enterprise-focused business models, have become top of mind for many investors. This reflects our recent Q1 2023 data, which revealed that nearly 80% of fintech VC was deployed to B2B fintech companies during the quarter. This figure stands at 63% when we exclude Stripe's $6.5 billion deal. Still, we were pleasantly surprised to find that a good amount of panels homed in on the B2C opportunities that remain in consumer lending, credit cards, neobanking, and buy now, pay later (BNPL).

Given the continued deceleration in fintech deals, a key question at the conference was whether fintech VC is poised to rebound. Though many investors we spoke to were still looking for the right opportunities to deploy capital, they did not appear to have an immediate sense of urgency in doing so. VC firms are taking more disciplined approaches and reverting to longer diligence cycles when evaluating investments. Many funds also seem to be waiting for private market valuations to more closely reflect those of public markets, suggesting investors are currently in a "wait and see" state.

In an on-stage discussion he led, Frank Rotman from QED Investors argued that down rounds are necessary catch-up work for the fintech ecosystem. He believes fintech investments from recent years were based too highly on option value rather than intrinsic value, which allowed many valuations to reach unrealistically high levels. As a result, Rotman views down rounds as a positive means for writing off risky investments and a necessary homecoming to fundamentally assessing a company based on cash flows and durability. Interestingly, he also called out the current investor mindset as a major structural flaw in today's VC environment, stating that funds need to return to re-evaluating startup risk between investment rounds instead of guessing at how to set up businesses to secure capital from future investors. As riskier investments become further weeded out in this approach, Rotman expects capital will begin to flow again.

Generative AI dominates the discussion

Generative AI is being implemented sparsely, with early-stage startups taking the lead. We spoke with multiple fintech companies and venture capitalists who detected that only a small number of pre-seed, seed, and early-stage founders are now building with modern AI tools. The broader fintech ecosystem is early in its adoption of generative AI—we appear to be early in the first inning. Several venture capitalists explained that they have not seen any portfolio companies implement generative AI. Similarly, the majority of companies with whom we spoke have not yet implemented modern generative AI tools. Many use machine learning (ML), though.

As mentioned earlier, customer service is an obvious use case for generative AI. We spoke with Kore.ai, an enterprise conversational AI platform that powers customer service operations, and the company said that conversational AI has improved significantly over the last two years and will continue to make material strides. Kore.ai explained that financial institutions are generating significant cost savings by automating call centers, where employee turnover is 50% to 70% per annum, which equates to an average tenure of 3.6 to six months. The newfound popularity of ChatGPT has increased inbound calls from their existing clients. Similarly, SoFi's Technisys has launched a conversational AI chatbot called Cyberbank Konecta, demonstrating that core banking platforms can easily provide other services, including advanced AI for customer support.

AI has the potential to improve financial inclusion. One core banking platform executive was excited about the use of artificial intelligence and machine learning (AI & ML) to approve or deny loan applications. He outlined that well over 70 million immigrants move countries every year, and AI & ML are perfect technologies for underwriting them without credit scores. Lenders could approve or deny loans using a consumer's saving and spending activity, social media comments, and mobile phone usage. Illustrating this, the credit card company Petal just spun out its cash-flow-based underwriting operation into a separate entity. The new company's goal is to sell cash-flow underwriting software to banks, fintech companies, and corporates.

Financial advice and product recommendations are also promising AI use cases. Examples include helping consumers select a mortgage product, explaining the tax consequences of a financial decision, helping small and medium-size businesses (SMBs) select the right retirement plan for their employees, providing advice for private wealth management customers, and more.

Startups, large corporates, and tech-forward leaders could be early adopters of generative AI. After we attended the conference, our early thesis is that modern LLMs and advanced generative AI tools, such as OpenAI's offerings, will be adopted first by young startups, large corporates with significant procurement budgets, and tech-forward fintech companies whose leaders are paying attention.

Outside of startups, our thesis is that the companies that will eventually lead on AI are the ones with tech-forward leaders who are aware of new developments. Some leaders are more interested than others. MoneyLion recently announced that it will use OpenAI to enable users to search for products. Additionally, LendingPoint highlighted that it uses ML tools to measure the voice sentiment of customers who call customer support. This reminded us that companies with a track record of investing in technology are better positioned to leverage AI to create product and cost advantages.

Corporates have historically felt uncomfortable when a competitor deploys a new technology, because it means that the competitor could gain an advantage. As a result, companies will be watching each other's AI decisions closely. Corporates often mirror each other out of fear of missing out; however, we think banks are likely worried that generative AI tools could put personal private information at risk. To prevent this, large tech-forward financial institutions such as J.P. Morgan and Morgan Stanley are likely to consider running these technology offerings using a localized instance of the AI model on their own servers and/or cloud space.

Generative AI poses regulatory risks. Generative AI will bring opportunities but also expose fintech companies and banks to risk. In particular, lenders might be at risk by using AI to approve loans if their models create bias or discrimination. Federal banking regulators and the Consumer Financial Protection Bureau (CFPB) initiated a request for information in 2021 to better understand the use of AI & ML in financial services. The Equal Credit Opportunity Act (ECOA) and the Fair Credit Reporting Act mandate lenders to tell consumers why they were denied a loan, which can be difficult with AI & ML-based models. We would expect the CFPB to announce new guidelines in the next few years.

Fraud prevention remains top of mind

Fraud prevention, know your customer (KYC), identify verification, and anti-money laundering were all prominent themes throughout the conference. This was made evident not only by the numerous panels discussing the importance of technologies helping to combat fraud but also by the excessive number of regulation technology (regtech) companies with booths on the expo floor. Discussions surrounding these topics seemed to reiterate the idea that fraud is a growing issue for financial institutions and fintech companies alike and that it will continue to grow due to the emergence of new fintech startups, the rise in technologies such as generative AI, and ongoing macroeconomic challenges. We believe regtech companies are critical to financial institutions, and we agree fintech companies should take proper care with integrating effective fraud controls. However, given the continued emphasis on fraud prevention, we find it surprising that regtech companies secured only about 6% of total fintech venture capital in Q1 2023.

Regtech companies at the conference offered several solutions for fraud prevention, including identity verification solutions, real-time risk monitoring, case management, and workflow orchestration solutions. Given the plethora of solution providers at the conference, it quickly became challenging to distinguish one company's products from another. Based on our discussions with businesses looking to implement third-party KYC and fraud prevention solutions, this also appears to be a problem for many fintech companies. Notably, some fintech companies mentioned that the greatest point of consideration when evaluating regtech solutions was the ability for the providers to work together and create a solution for easily integrating data connections between their back-end systems. Other points of consideration included pricing, as many anti-fraud and KYC platforms charge per verification, which can quickly become expensive for a fintech company at scale.

Current mindset for neobanks

The conference demonstrated that the best-positioned neobanks and brokers have built, or added, checking accounts with direct deposit, a paid monthly subscription model, multiple lending products—such as credit cards, cash advance, personal loans, mortgages, and student loans—and investing products. Leading neobanks also have a track record of shipping code, all accompanied by lower cost of acquisition through better user experience and years of both brand building and content creation.

Stash's CEO Liza Landsman said that more than 80% of Stash's revenue comes from subscription fees, which better aligns Stash with its customers. This means that Stash can easily generate revenue without pushing users to trade stocks, options, and crypto. A monthly paid subscription is an important component, among others, to achieve profitability. Acorns is a good example of a fintech that has built a significant business by charging consumers $3.00 per month.

Profitability was in focus for neobanks and brokers at the conference. Landsman stated that Stash's "march to profitability is within striking distance," and Current's CEO Stuart Sopp said, "The next wave of unit economics and profitability requires neobanks to get into lending, and so Current plans to launch a credit builder card."

One late-stage investor who we spoke with believes that neobanks must lend to increase profitability and grow into their valuations. He also thinks that neobanks should pursue wealthier customers—most neobanks target the bottom half of income-earning adults because this group is poorly served by legacy banks.

Banking-as-a-service providers are making it easy to launch a secured credit card. Both Galileo/Technisys and Synapse help neobanks launch secured credit cards. Over the next three years, we expect more providers to debut general-purpose credit cards, which are more complicated to launch.

Achieving profitability should enable certain scaled neobanks to eventually make small acquisitions, which will add rewards, lending, investing, and insurance products to their quiver. SoFi's acquisition of mortgage lender Wyndham Capital Mortgage provides a textbook example of how a fintech can quickly add new capabilities.

The decision to acquire is important for any management team, as M&A can distract an entire organization from focusing on its core. As a result, we expect continued acquisitions from previous acquirers such as SoFi and MoneyLion but only a few deals from companies that have not yet made an acquisition. Larger entities are better positioned to make acquisitions. Likely targets include budgeting/personal finance apps, rewards providers, personal lenders, consumer BNPL providers, credit card startups, and small auto lenders.

As with most industries, the leading neobanks and brokers are likely to continue winning due to their scale—which helps with marketing—and better access to capital. Some of the stronger players include Cash App, Venmo, Chime, Dave, Robinhood, Current, Stash, Acorns, SoFi, Upgrade, MoneyLion, and large crypto exchanges. Varo can likely reposition itself for success if it can reduce operating expenses. As always, we watch to see if Apple will launch a true banking product. It offers Apple Cash, which stores users' cash in what appears to be a Green Dot prepaid account. Apple has not yet launched a full checking account, though it has recently implemented a high-yield savings account powered by Goldman Sachs. We believe it would benefit from providing a checking account because it would further cement its customers' dependence on Apple in their daily lives.

Subscale cash-burning neobanks that still need to raise capital will likely have to reduce headcount and slow marketing spending to complete a raise. Some are likely to seek a buyer. Current's CEO Stuart Sopp stated that he "expects consolidation in neobanking."

Neobanks that achieve profitability and scale and move upmarket will eventually become real threats to established players, though this will likely take three to five years.

Takeaways from VC conversations

We spoke with nine venture capital firms spanning pre-seed to growth and corporate venture capital. One late-stage venture capitalist remarked that he expects many first-time GPs to go out of business after deploying at high valuations. The fund performance of these GPs is flat to down, which likely means they will be unable to raise another fund. He also noted that Series B and Series C valuations should grind downward for a few more quarters, a sentiment that was reiterated by a stage-agnostic fintech venture capitalist. One investor stated that valuations of high-quality seed-stage fintech companies are rich, including those of AI-first fintech companies. The investor's fund is avoiding many of those deals in favor of Series A and Series B rounds, where they see better risk/return.

The investors we spoke with were bullish on payments, vertical software, accounts payable and accounts receivable (AP/AR), embedded finance, and orchestration. Multiple venture capitalists emphasized that enterprise and SMB fintech companies increasingly want verticalized software solutions that combine multiple products, as bundling reduces procurement time and complexity for companies. This is especially important for small to midsize banks that lack the resources to procure several best-in-class point solutions. We agree with the thesis that winners are likely to offer multiple high-quality solutions, though we think that building a strong point solution should lead to an eventual acquisition.

Another venture capitalist noted that it is difficult to pick winners in identify verification because there are so many solutions. We observed this first-hand at the conference, as there were multiple providers offering KYC or know your business, fraud monitoring, and transaction monitoring solutions.

One corporate venture capitalist's thesis is that consumers will increasingly obtain financial products from retailers at the point-of-sale, both online and offline. Speaking to this, a core banking platform noted that it is helping an automotive parts retailer build its own BNPL offering.

Another venture capitalist likes solutions that allow banks to introduce new offerings in their mobile app and desktop website. Example offerings include credit scores, credit repair, and consumer subscription monitoring. These solutions bypass the software companies that run banks' core deposit and loan systems of record. Core banking providers typically approve any new third-party add-ons. An estimated 90% of banks' checking, savings, and loan products are run by Fiserv, CSI, Finastra, FIS, and Jack Henry.

With respect to AI, a fintech-focused venture capitalist who invests from pre-seed to the late stage remarked that some early-stage founders are now building off OpenAI, but noted that the broader fintech sector is early in its adoption of advanced AI. Several of the VC investors—many of which were corporate venture capital (CVC) or late-stage investors—said they haven't seen portfolio companies implement generative AI but that many have been using ML for years. VC investors believe that most companies are discussing use cases, which comes as no surprise.

We asked venture capitalists where they think AI can provide value, and they unanimously cited customer service as the obvious use case, but they also mentioned product recommendations, or helping customers pick the right financial product. We agree that AI is likely to make a big impact on customer service, and we wonder whether fintech companies can differentiate themselves through better product recommendations.

Ultimately, building a valuable consumer fintech company will be largely driven by customer acquisition costs and customer growth, product offerings, unit economics, user experience, and cross-selling. To succeed, fintech companies will need to acquire millions of users and offer them multiple products with positive unit economics. A strong product offering, enhanced by generative AI, is just one part of the equation.

One CVC investor remarked that banks have significant amounts of client data that could provide a rich training set for AI to service bank/insurance customers and even to market to them within mobile apps. He noted that customer data leaks and hacks inflict serious damage and thus expects financial institutions to carefully and slowly evaluate generative AI. Echoing this, another VC investor described the process of bank technology adoption as a "walk, crawl, run."

The conference reminded us that CVC firms continue to invest in startups to advance their parent company. They also get to look at deal flow, which keeps them abreast of new innovations. CVCs also invest in other venture funds to get exposure to other geographies where they lack the ability to make direct investments. These fund-to-fund investments can sometimes reveal the elements of their business strategy.

Credit tightening could impact neobanks. One VC noted that fintech companies are having difficulty getting credit from banks, which are tightening credit standards and trying to identify which fintech companies will survive. A recession will likely separate the strong from the weak as banks decide which early-stage fintech startups will endure.

Takeaways from company conversations

We met with a variety of fintech companies throughout the conference and touched on a range of topics. Our key takeaways from our most notable conversations are highlighted below.

array

Founded in 2020, Array is a startup offering embedded finance products for banks, credit unions, and digital brands. The company generates $50 million in annual recurring revenue and offers solutions for credit, identity, data privacy, personal financial management, and loyalty. Array last raised $123.0 million in a Series B on May 2022.

Takeaways:

- Our conversation with Array reinforced two recent themes within fintech. First, Array noted that many of its bank and credit union customers have now shifted their focus toward retaining and increasing deposits, whereas these institutions previously concentrated on lending to more customers. This creates opportunities for embedded finance companies and fintech companies that can help banks and credit unions leverage data to build customer trust and loyalty.

- Secondly, Array's goal is to continue building out a suite of products in order to create additional revenue streams and better serve its customers, which closely resembles the strategy of many fintech companies. Supporting this approach is the company's launch of its new embedded product offering called Subscription Manager, which was announced at the conference. Array expects consumer data derived from this product to further drive better insights for its broader suite of offerings.

Codat is a late-stage startup that allows financial institutions and fintech companies to access permissioned data from businesses, including integrated data from accounting platforms, expense management providers, banks, and payment platforms. The company currently has a valuation of $825.0 million and last raised a $107.5 million Series C in June 2022.

Takeaways:

- The complexity of sourcing and providing the correct data is a large pain point for businesses when applying for credit. According to Codat, 65% of SMBs will look to obtain credit this year, with 75% doing so in order to fund essential business expenses. As a result, there remains significant opportunity to help small businesses seamlessly source their cash flow, banking, and accounting data in order to obtain capital.

- Data privacy continues to be top of mind for businesses, though Codat believes being transparent with how customer data will be used helps its users feel more confident in providing their data. Small businesses appear to value solutions to their pain points above all; this suggests that companies that are upfront with data privacy, and clear in communicating how sharing data can lead to benefits for their customers, will continue to find success in acquiring new users.

We spoke with the data science research team at Discover, a leading public digital bank and payment services company, where we discussed various topics surrounding AI & ML. For the past half decade, Discover has strongly focused its efforts into researching the safe and fair application of AI & ML technologies.

Takeaways:

- Existing regulations such as the ECOA provide some indication on how transparency and disclosure requirements may be considered for upcoming AI & ML regulations. Discover expects scrutiny surrounding model transparency to increase and is working to stay ahead of the curve by developing capabilities to explain their models and identify sources of bias. The company currently has nine patents pending on explainable AI methods and their applications to fair lending.

- Discover outlined a three-step approach to follow when evaluating and reducing model bias. First, companies should quantify the overall impact of their model bias and should have metrics in place to do so. Second, sources of bias should be able to be identified, which can be done by observing connected inputs. Third, companies should have a mitigation approach after identifying sources of bias and should consider how to balance fair outcomes and model performance in their solutions.

Episode Six is a payments and cloud ledger management infrastructure company that helps financial institutions and businesses offer payment capabilities such as payment processing, card issuing, and digital wallet management. The startup has a valuation of $210.0 million and last raised $15.0 million in debt financing on October 2022.

Takeaways:

- The payments landscape continues to present many opportunities. Demand for modern payment solutions remains robust amid challenging macroeconomic conditions due to the emergence of better infrastructure and new payment rails, and many countries are still encountering pain points relating to payment facilitation.

- CEO and co-founder John Mitchell believes nearly all payment providers will integrate real-time payment (RTP) offerings in the long term. However, adopting RTP will involve more than just connecting via an application programming interface, and companies will need to consider the cost of integrating in the near term, as well as how to support data security.

Founded in 2014, FinTech Sandbox is a nonprofit organization that partners with leading financial institutions and data companies to provide startups with free access to datasets.

Takeaway:

- Because FinTech Sandbox works closely with many early-stage startups to build solutions in the fintech ecosystem, we came out of our conversation noting that data access remains a pain point for many startups. The company emphasized that it remains difficult to obtain quality datasets that enable startups to build successful products, especially data that is accurate and accessible in real time. As such, we expect successful implementation of open finance policies could help many fintech companies build out better products and solutions.

Nav

Founded in 2012, Nav is a fintech platform that allows small businesses to connect their data in order to better understand their financial health and receive access to optimal financial products, such as checking accounts, loans, and credit cards. The company is currently valued at $244.9 million and last raised $5.0 million in venture funding on September 2022.

Takeaways:

- For small businesses, a lack of transparency on available financial product options remains a large pain point. In addition, being able to provide alternative sources of business data proves to be a valuable service, as many small companies get rejected from loans due to not having a business checking account.

- Current challenges in the macroenvironment create tailwinds for fintech companies like Nav that help small businesses obtain access to credit. Lenders are also tightening credit standards and are in search of ways to accurately evaluate a business' financial health.

- Small businesses continue to present a large total addressable market for fintech. The number of new business formations in the US remains at near all-time highs, and these businesses will likely need access to capital in order to survive.

NOVA CREDIT

Founded in 2015, Nova Credit is a late-stage startup focused on solving credit access for immigrants by translating international credit reports and analyzing bank transaction data. The company is currently valued at $305.0 million and last raised $10.0 million in convertible debt in September 2022.

Takeaways:

- Immigration will continue to be a tailwind, as it currently accounts for roughly half of the US' population growth and will account for nearly all of its population growth following the next two decades.

- Use of alternative data for enabling credit access is at an inflection point, and mass market adoption for alternative data has yet to occur. Use cases are broad and can be applied to underwriting, credit, and KYC across many sectors. Many big banks and midsize fintech companies are now exploring these opportunities.

- Data security and controls around consumer-permissioned data are critical and need to be done well. This is difficult, and companies should also be able to adhere to policies surrounding data governance and credit regulations.

upgrade

Founded in 2016, Upgrade is a neobank that currently offers checking and savings accounts, rewards cards, and personal loans up to $50,000. The company is currently valued at $6.3 billion and last raised an undisclosed amount in a late-stage round in December 2022.

Takeaways:

- Upgrade has achieved profitability for the last two years by centering its business model around credit and lending over interchange, and it views its strategy as most similar to that of Brazilian neobank Nubank. Unlike many other neobanks, Upgrade targets an older demographic because the company believes credit is typically more essential for older consumers than younger ones.

- Though the company has noted it has also witnessed a growing deterioration in credit performance, Upgrade is currently sitting on ample cash on its balance sheet and is not looking to raise funds in the near term. This is a notable contrast to many neobanks in the US.

- CEO and co-founder Renaud Laplanche mentioned that Upgrade is open to looking for M&A opportunities, as the company believes the right acquisitions can successfully lead to product expansion and growth opportunities.

- Notably, Laplanche stated that Upgrade has been assisting its partners with increasing their deposits. This reflects the current focus of many regional banks and credit unions following recent banking fears.