Fintern: Business Insider

Next generation consumer credit

Feb 2022

https://fintern.ai | contact@fintern.ai

Some loans are only about your credit score. Ours are about you
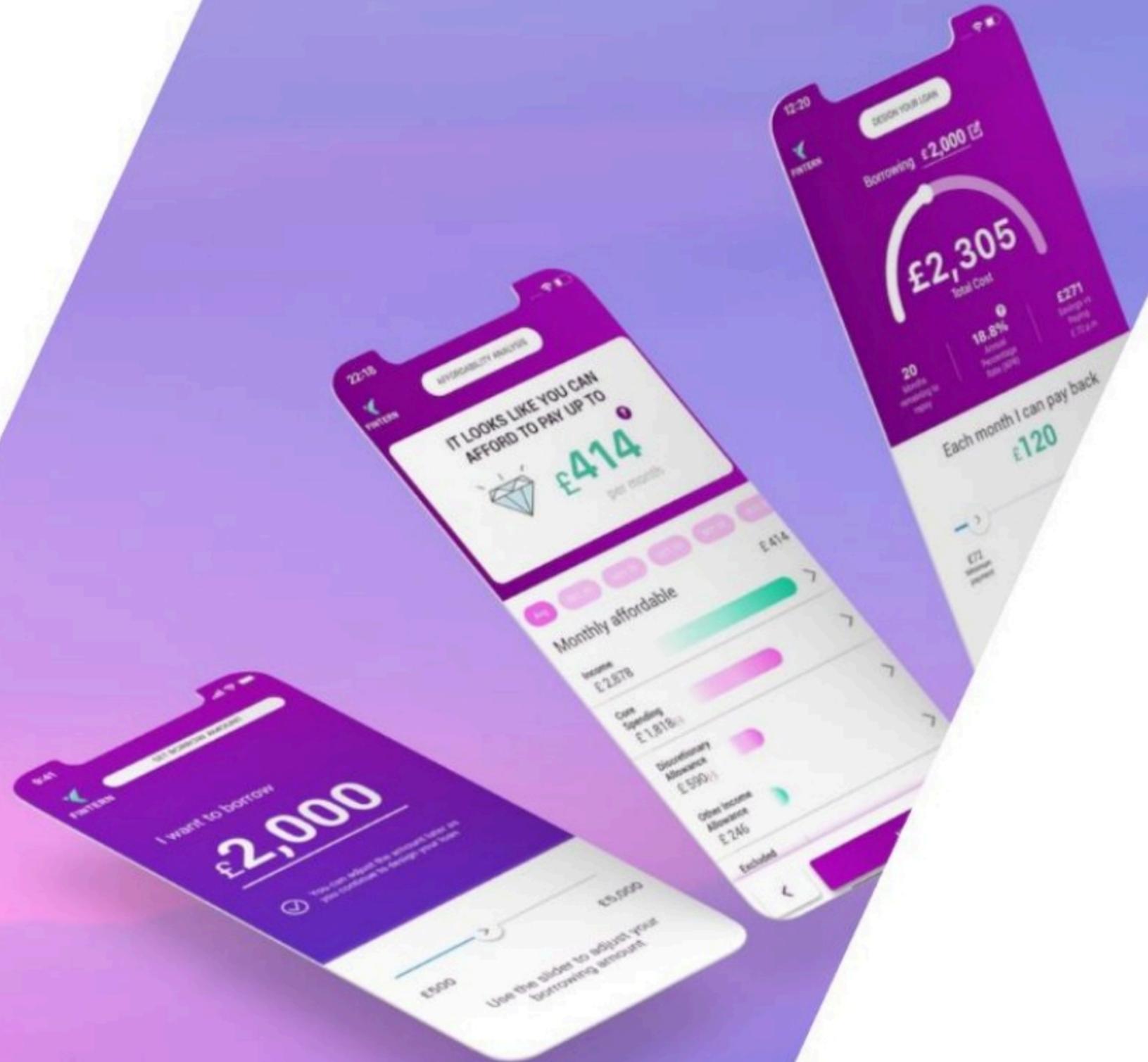
We're a consumer credit technology business...

That uses Open Banking and alternative data to expand access to low cost personal finance

We're building a £1bn consumer loan book in the UK

We'll soon provide our distinctive technology to lenders across the world*
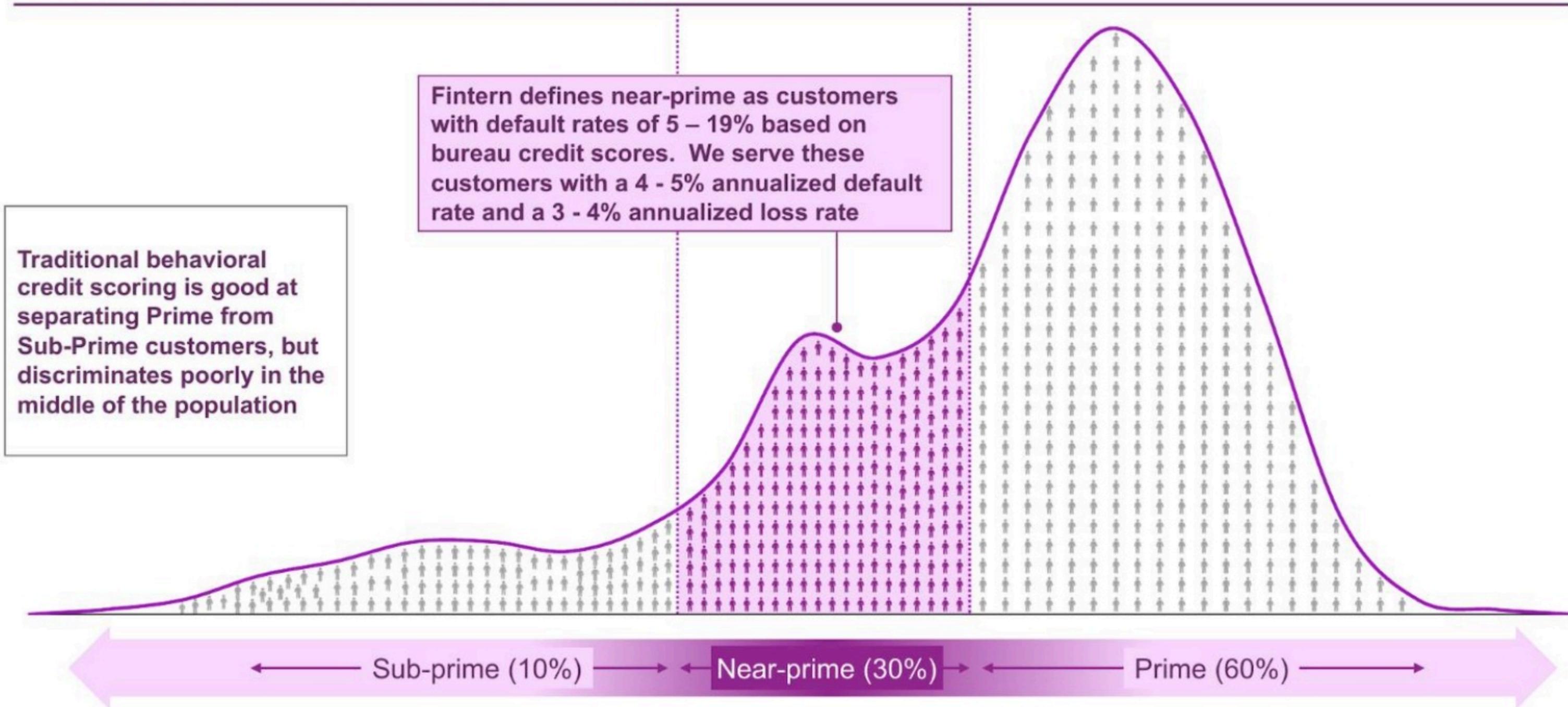
We will also serve UK lenders in non-competitive segments

We're starting by serving near-prime customers using Open Banking data to understand their risk profile and expand access to affordable credit

UK Consumer Traditional Credit Score Distribution

Fintern defines near-prime as customers with default rates of 5 – 19% based on bureau credit scores. We serve these customers with a 4 - 5% annualized default rate and a 3 - 4% annualized loss rate

Traditional behavioral credit scoring is good at separating Prime from Sub-Prime customers, but discriminates poorly in the middle of the population

Sub-prime (10%) ← → Near-prime (30%) ← → Prime (60%)

X Document sections

Our credit technology transforms consumer finance economics

Our distinctive performance

1 **Superior credit differentiation:** next-gen credit decisioning capability integrating Open Banking and alternative data allows enhanced decisioning across all segments

2 **Superior customer proposition:** better decisions enables vastly superior products for near-prime consumers, coupled with leading digital customer experience

3 **Fully automated and scalable E2E lending technology platform:** High degree of automation supports rapid scaling and low cost to serve for both on and off balance sheet models.

Target outcomes

- 50% reduction in credit losses vs market

- Appropriate decisions for any risk band

- Higher approval rates

- Lower APR

- Below market CAC

- Ready-to-scale with low marginal-cost per loan

- Enables lending-as-a-service

We are building a high growth B2C and B2B lending business

Stage 1: Build and launch

- Build credit engine, platform, operations and team
- Get regulatory authorisation and licenses
- Secure initial funding

Done
- £32m seed funding
- FCA authorised
- 16 FTE team at launch

Stage 2: Prove performance on £30m of UK loans

- Prove underwriting out-performance (50% reduction in credit losses vs market)
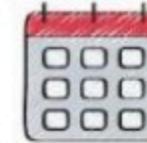- Take advantage of significant market gap in UK market

Done:
- Started lending Mar '21
- Series A: £8m Dec'21

In-progress:
- Lend £30m by Jul '22

Stage 3: Scale UK consumer book to £1bn (B2C)

- Capital intensive NIM business
- 200k customers per year
- Retain economic interest (and outperformance)
- £40m PBT p.a.

Target 2025

Stage 4: Scale internationally through B2B model

- Provide our credit technology to power other lenders
- Capital light fee business
- Economic interest in loans owned by partners
- Fee, subscription and AUM based pricing models viable
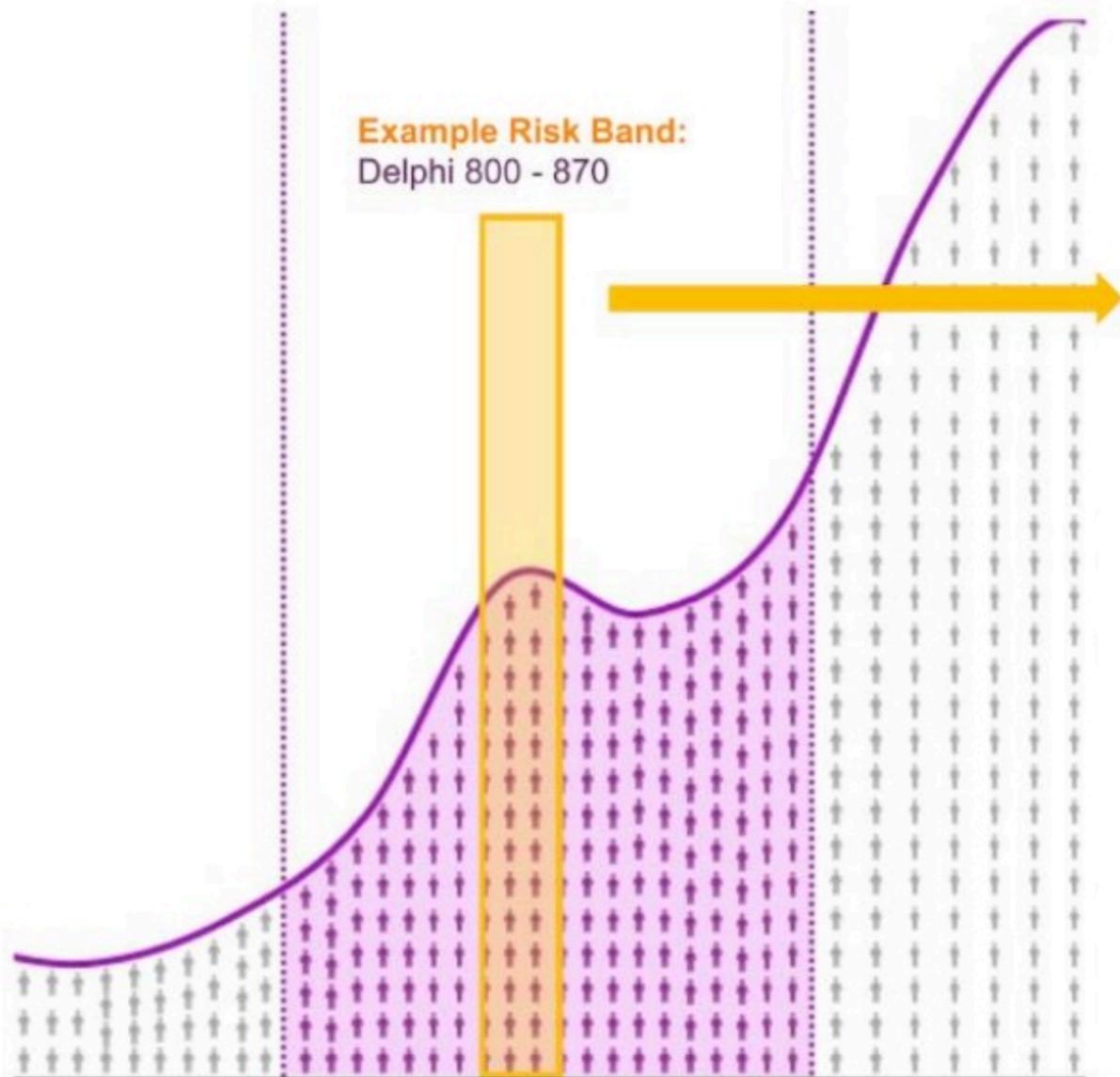- £100m+ PBT p.a.

Commence in H2 2022

Our approach can generate a 3 – 4% loss rate from near-prime consumers where risk has been mis-classified

SINGLE RISK BAND EXAMPLE

**For any given score band "slice" in near-prime segment**

Example Risk Band:
Delphi 800 - 870

Banks see – A mostly homogenous risk block

Fintern sees – Further risk differentiation from using Open Banking transaction data and Fintern analytics

Score band

	Banks see	Fintern sees
	Delphi 11: 800 – 870 **RN4:** 419 – 446	**Delphi 11:** 800 – 870 **RN4:** 419 – 446 + **Fintern Transactional Analytics**

Population & Default Rate

Fintern identifies & serves sub-segments with significantly lower default risk

% Default Rate
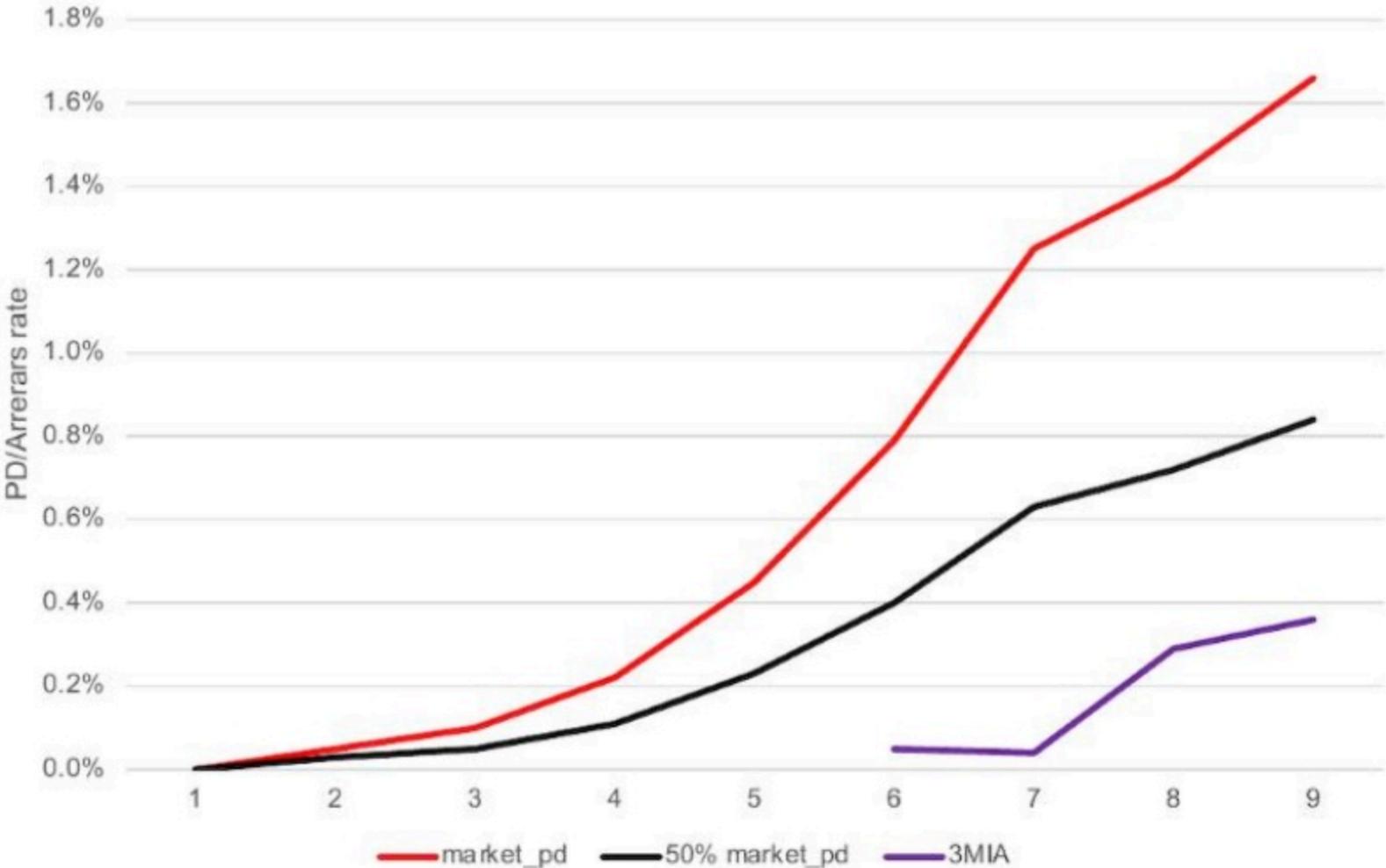
10%

2% 33% 17% 11% 8% 6%
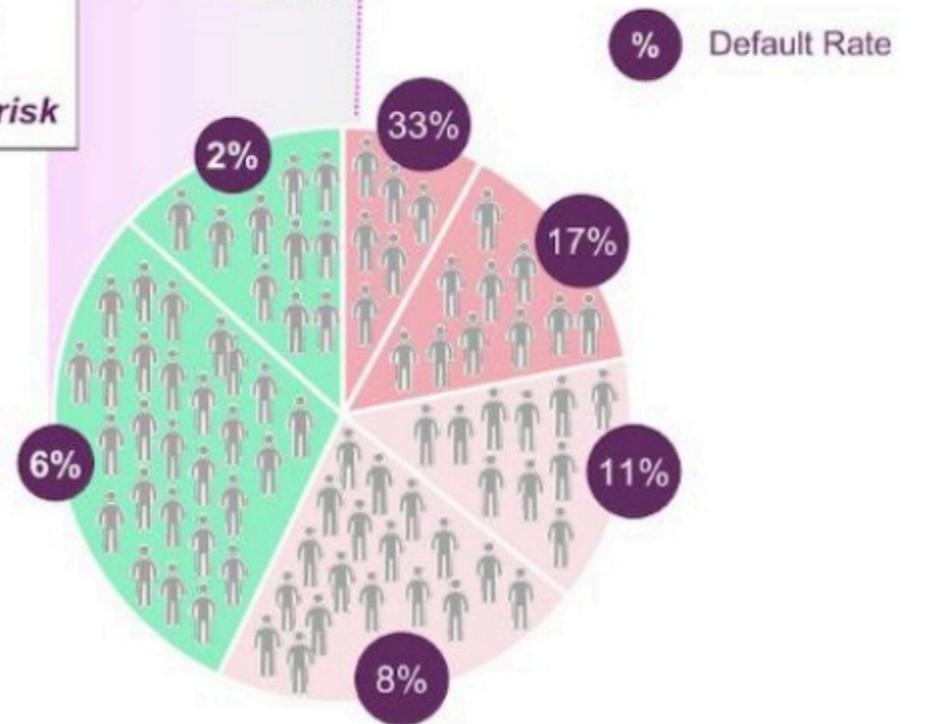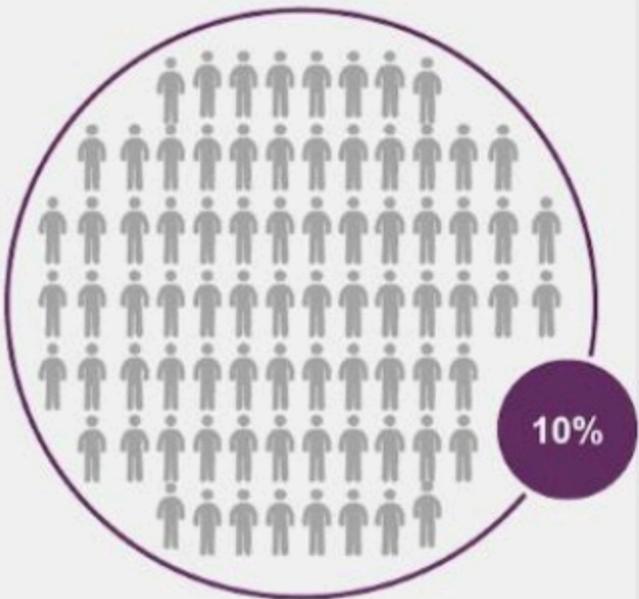
Our loan portfolio is performing significantly better than expected, validating the outperformance of our underwriting

Fintern loans bad rate vs plan and market

Arrears performance vs. market PD and plan

Our technology allows us to achieve better-than-market risk discrimination by integrating Open Banking transaction data and other alternative data with traditional credit analytics

Our analytics identifies customers with characteristics that are intrinsically "prime" sitting within the near-prime pool that are mis-classified due to coarse behavioural credit scoring

This enables us to achieve >50% reduction in credit losses vs market

Our 18.8% APR is highly competitive with mainstream lenders, and provides a vastly superior alternative to those forced to borrow from specialists

APRs for £1,000 personal loans by UK lenders (as at 06 May 2021)

- Mainstream banks advertise headline rates of 3 – 4%, however these rates are only available for loans above £7,500 and for prime customers

- Market pricing heavily penalises smaller ticket sizes (given fixed costs, and incumbent incentives to protect margins on revolving card books)

- Fintern offers unsecured personal loans between £1,000 and £7,500

* Several specialist lenders went insolvent recently, e.g. MyJar, Sunny; Not accepting new lending: Amigo, Avant Credit, Satsuma

Fintern Highlights
A fast-growing credit technology company

ABOUT US

Feb'21
Received UK regulatory lending permission

10m
consumers in the UK addressable market

£40m
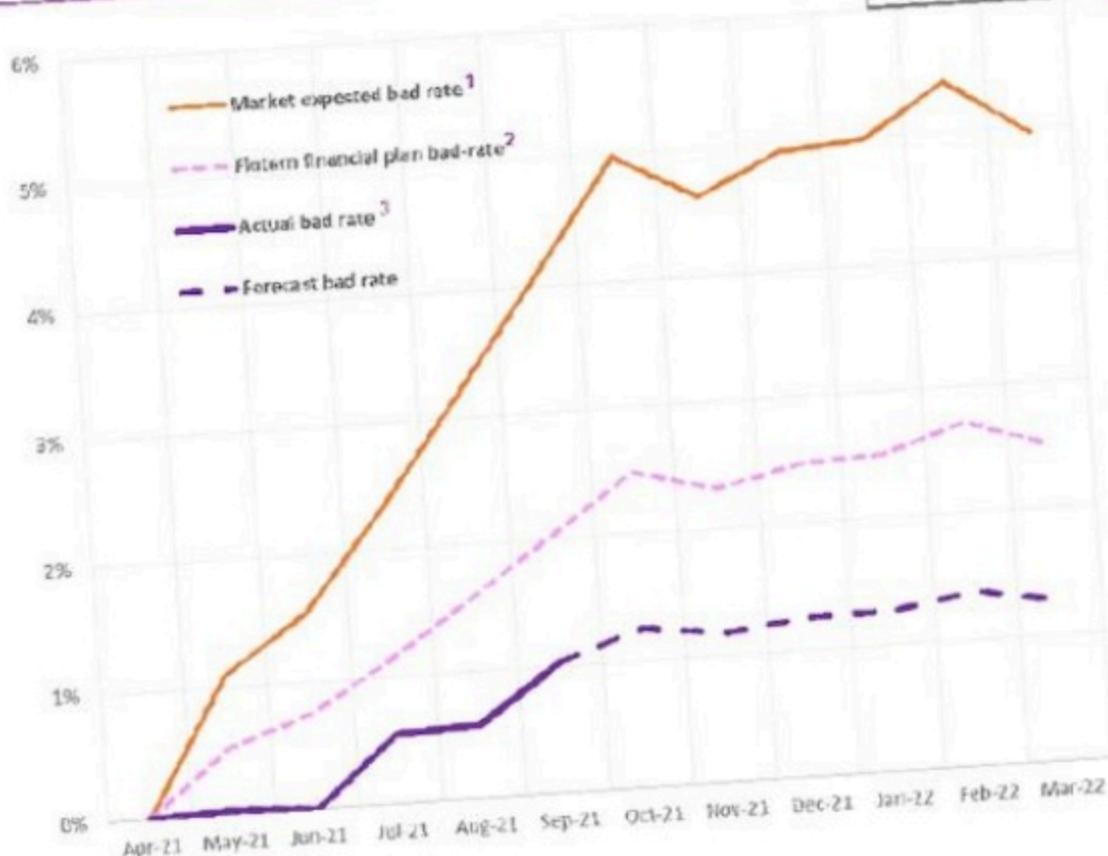debt and equity funding raised to date

OUR TEAM

21
Team members

30%
women on executive team

150
years of cumulative experience in lending

DIRECT CONSUMER LENDING GROWTH

50%
month-on-month growth to-date

£80m
Loan origination by Feb'23

£550m
Balance sheet by Feb'26

DIRECT CONSUMER LENDING OPERATIONS (CURRENT)

>50%
reduction in credit losses vs market (currently achieving 75% reduction)

66%
loans reviews fully automated (vs. 70% by Upstart per its IPO prospectus)

90%
in-month cure rate on late repayments

4.5[1]
out of 5 customer ratings (App stores & Trustpilot)

25%
of the time shown as the ONLY offer to customers via our largest broker partner

30
customer introducers onboarded

LENDING TECHNOLOGY AS A SERVICE (PROJECTION)

2
anchor clients in 2022 from current pipeline

50
global clients by 2025

£32m
ARR projected by 2025

Fintern loans bad rate (31+ dpd) vs plan and market

AS AT 15 SEP 2021

Market expected bad rate[1]
Fintern financial plan bad-rate[2]
Actual bad rate[3]
Forecast bad rate

6%
5%
4%
3%
2%
1%
0%

Apr-21 May-21 Jun-21 Jul-21 Aug-21 Sep-21 Oct-21 Nov-21 Dec-21 Jan-22 Feb-22 Mar-22

1 App Store 4.5, Trustpilot 4.3, Android 4.6

Our team have extensive experience in digital lending, credit analytics and technology, and have worked together for over 10 years

CEO, co-founder
Gerald Chappell

Previously Partner at McKinsey & EY; Led McKinsey's Digital Lending and Credit Analytics solutions globally Led 200+ quants developing Artificial Intelligence models

COO&CFO, co-founder
Dr. Michelle He, CFA

Previously Director at EY. Global delivery lead for C-suite at top European banks (team size up to 1500); FinTech advisor; Ph.D in machine leaning

CCO (Compliance)
Dr. Alan Cathcart

Previously MD at HSBC & Bank of England; 30+ years in banking risk and regulation, with deep knowledge of credit; Ph.D in mathematics from Cambridge

Marketing, Product, Growth

CGO (Growth)
Sam Power

Previously growth/marketing lead in a number of global Fintech, e.g. Wealthsimple, Tilt. BA from Yale Univ.

Board Directors

Andrew Bloom

Founder and ex-CEO of Masthaven, a UK challenger bank with c.1bn asset and 200 employees. Awarded "Most Innovative Digital Retail Bank UK 2019"

Tech & Science

CSO & CRO (Scientist, Risk)
Dr Mark London

Previous Partner at EY; Led EY UK quantitative team (peak 130 FTEs), serving all top UK banks Ph.D in maths/physics

CTO
Bob Cui

Previously tech lead at XiaoMi; Deep technology background on mobile and software & cyber; Worked extensively with Google, Qualcomm; Ms. from Beijing Univ.

Dev Ops Lead
Tjaart van Wijck

Previously senior developer at HSBC and Barclays; Cloud solution architect, development of banking risk & finance systems

CPO (Product)
Ni Li

Previously VP at BAML; 10+ years in finance & risk analytics, operational support for banks' front office

Manson Yang

Serial entrepreneur. Founder of Dolphin Browse (c200mil global users); ABC Fintech (awarded as New Technology Pioneers in 2020 by World Economic Forum).

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