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# European Office of CFO SaaS: New Battleground for Embedded Fintech



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# The 'Office of CFO' SaaS spans across several segments and operates in a highly fragmented European market today.

Non-Exhaustive

## CFO SaaS Segments Definition & Select European Examples

|               |                                       |  |  |  |
|---------------|---------------------------------------|--|--|--|
| CFO SaaS      | <b>Accounting &amp; Tax</b>           | Platform with a general ledger at the core for recording, tracking, and analyzing financial data, which helps to maintain accurate and up-to-date financial records.   |  |  |
|               | <b>Payroll</b>                        | Designed to automate and streamline the process of managing employee compensation incl. wages, bonuses and deductions. Features can extend to broader HR features i.e., time sheets, employment benefits, etc.                                     |  |  |
|               | <b>B2B Accounts Payable (AP)</b>      | Streamline and automate business's accounts payable processes to provide better visibility and financial control.  |  |  |
|               | <b>B2B Accounts Receivable (AR)</b>   | Facilitates the automation of recording, sending invoices, collecting payments, and reconciling unpaid balances. Features incl. billing & and invoicing, customer statements, receivables ledger, payment processing bill, credit management, etc. |  |  |
|               | <b>Financial Planning &amp; Mgmt.</b> | Setting and achieving specific financial goals through careful management & allocation of resources (budgeting).   |  |  |
|               | <b>E-invoicing &amp; Billing</b>      | Sub-function of accounts receivable to create, manage, track, and process electronic invoices and bills payments. Features incl. invoice history, expense tracking, contact database et.   |  |  |
|               | <b>Spend &amp; Expense Management</b> | Corporate spend management overseeing employee expenses and reimbursements. Features incl. real-time expense tracking and reporting, automated reconciliation, card-issuing, subscription mgmt., custom approval, and workflow automation, etc.    |  |  |
| Adjacent SaaS | <b>Commerce Front-end</b>             | User interface and functionality that customers interact with when visiting an e-commerce checkout or POS.   |  |  |
|               | <b>CRM</b>                            | Designed to help businesses manage their interactions with customers and potential prospects to streamline sales and marketing efforts.  |  |  |

Notes: \*Bucketed based on select marketed feature set(s)

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Needs and buying behaviors for office of CFO SaaS vary across business segments. Several SaaS specialists compete to address such needs.

### Merchant CFO SaaS Importance and Domain Complexity

|  | Micro<br><i>&lt;10 FTE</i>  | Small<br><i>10 - 49 FTE</i>   | Medium<br><i>50 - 250 FTE</i>  | Large<br><i>&gt;250 FTE</i>   |
|--|---|---|--|---|
| <b>Complexity of SaaS Needs by Business Size</b> | <ul style="list-style-type: none"> <li>Simple SaaS needs; predominately financial admin</li> <li>Prefer bundled SaaS</li> </ul> | <ul style="list-style-type: none"> <li>Simple SaaS needs; predominately financial admin</li> <li>Prefer bundled SaaS</li> <li>May use specific specialists</li> </ul> | <ul style="list-style-type: none"> <li>Sophisticated SaaS needs</li> <li>Some usage of specific SaaS platforms for more bespoke needs</li> </ul> | <ul style="list-style-type: none"> <li>Highly sophisticated</li> <li>Prefer to use separate SaaS platforms for each of the needs</li> </ul> |
| <i>SaaS Needs:</i>                               | <b>Importance and Deployment of SaaS Needs by Business Size</b>   |   |  |   |
| <b>Accounting &amp; Tax</b>                      | HIGH  | HIGH  | HIGH   | Specialized vendor  |
| <b>A/R Automation</b>                            | LOW   | <b>BUNDLED SOLUTION</b><br>SaaS needs are catered for by <b>Accounting Platforms</b> which offers ancillary SaaS services   | HIGH   | Specialized vendor  |
| <b>A/P Automation</b>                            | LOW   |   | HIGH   | Specialized vendor  |
| <b>Payroll</b>                                   | MED   | <b>BUNDLED SOLUTION</b><br>SaaS needs are catered for by <b>Accounting Platforms</b> which offers ancillary SaaS services   | MED  | Specialized vendor  |
| <b>Financial Planning</b>                        | LOW   |   | MED  | Specialized vendor  |
| <b>CRM</b>                                       | LOW   | <b>BUNDLED SOLUTION</b><br>SaaS needs are catered for by <b>Accounting Platforms</b> which offers ancillary SaaS services   | HIGH   | Specialized vendor  |
| <b>E-invoicing &amp; Billing</b>                 | HIGH  |   | HIGH   | Specialized vendor  |
| <b>Spend &amp; Expense Mgmt.</b>                 | LOW   | <b>BUNDLED SOLUTION</b><br>SaaS needs are catered for by <b>Accounting Platforms</b> which offers ancillary SaaS services   | HIGH   | Specialized vendor  |
| <b>Commerce Front-end</b>                        | HIGH  |   | HIGH   | Specialized vendor  |

**As businesses grow, the need for bundled 'one-stop-shop' SaaS solutions decreases. Larger SMBs will integrate multiple specialist SaaS vendors to solve for their complex CFO SaaS needs.**

### General Observations

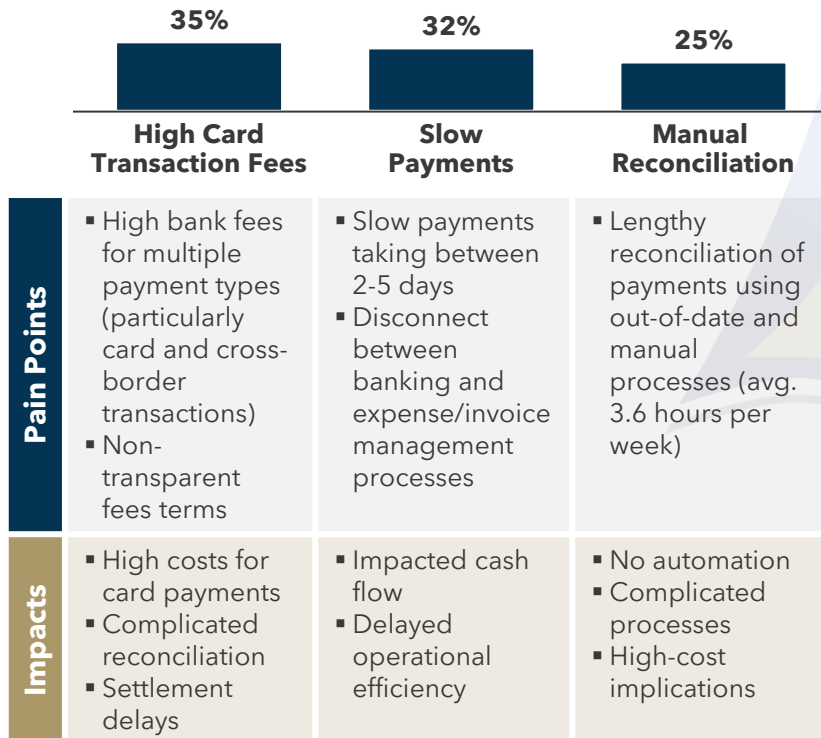
- SMB needs for CFO SaaS **vary drastically by business size**
- Micro and small SMBs have **basic needs for financial admin.** (e.g., accounting, tax, invoicing).
- Micro and small SMBs have a desire for a **'one-stop-shop' bundled solutions** where Accounting SaaS vendors lead by **expanding their tool kit to offer ancillary SaaS solutions** such as Payroll and e-invoicing, etc.
- Mid-sized SMBs require more sophisticated software from specialists, and rely on **specific specialist solution providers to address key needs** (e.g., AP/AR)
- Large SMBs** have highly complex and sophisticated needs and specialized business software. They largely demonstrate buying of **unbundled specialized SaaS**
- Several CFO SaaS platforms (e.g., accounting platforms, e-invoicing SaaS, spend mgmt. SaaS) **compete to meet SMB needs**

EU businesses still heavily rely on banks to service financial needs, but banks fall short as they often lag in service quality or technical enablement (e.g., integration with CFO SaaS).

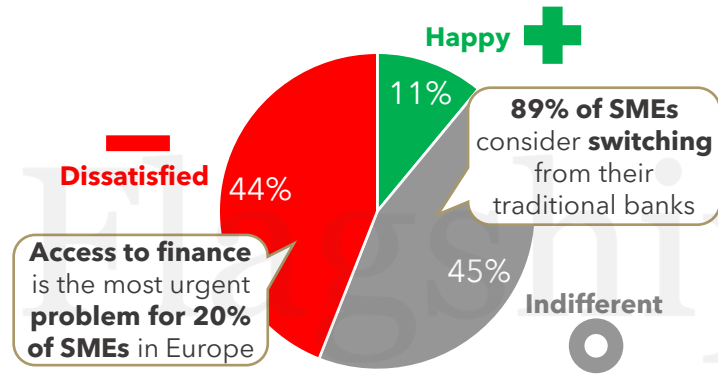
## Banks Underserve SME Financial Needs

### Top SME Payments Pain Points from Banks

N= 100 UK SMEs\*



### SME Satisfaction with their Traditional Bank Provider



SMEs are increasingly looking for alternative solution providers for their financing needs

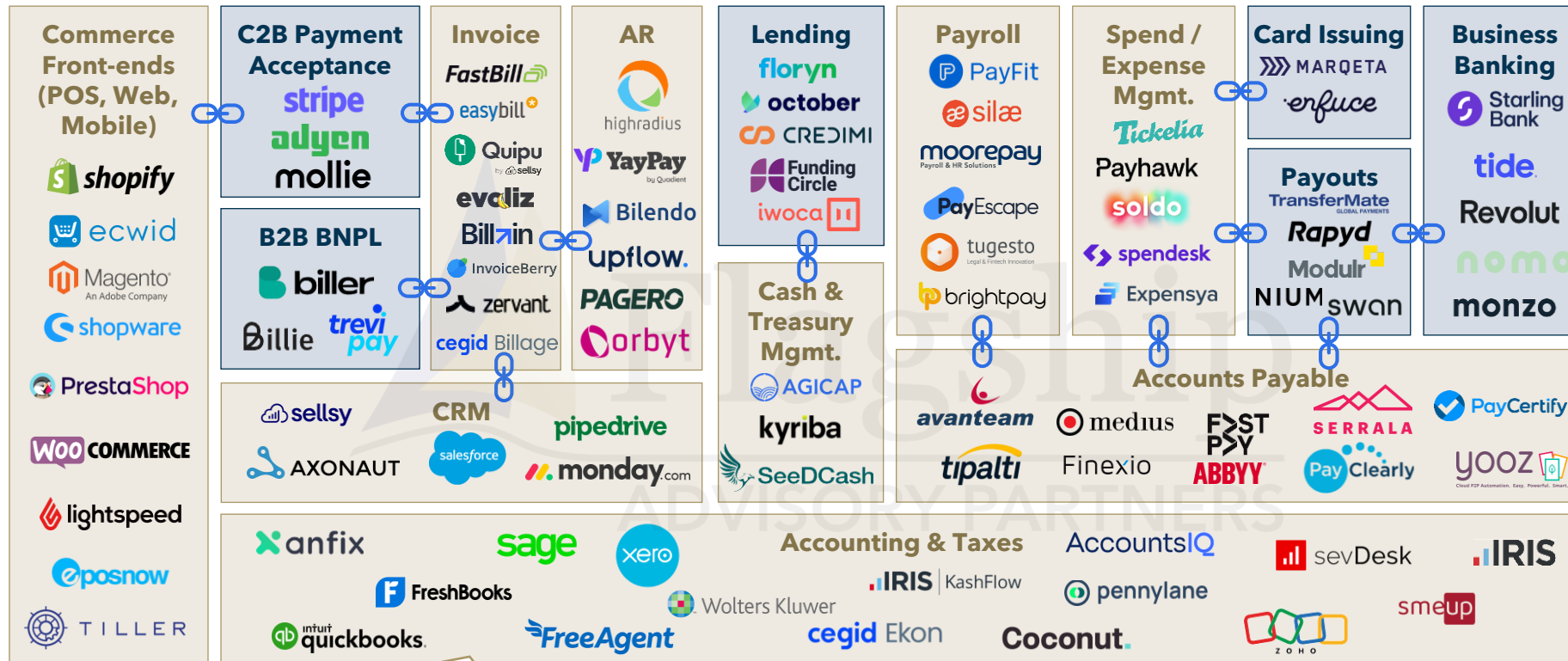
### Select SME Needs Underserved by Banks

- Centralized user-friendly interface:** Customer portal with real-time data oversight of incoming and outgoing payments
- Integration into business admin platforms:** Seamless integration into back-office tools i.e., accounting and payroll platforms
- Automated reconciliation:** Automated reconciliation of bank payments eliminating manual processes
- Value-added banking services:** Ancillary banking features i.e., cash flow forecasting, invoice management, etc.
- Reliable international payments:** Low-cost and reliable cross-border payments with visibility of funds

# Winning CFO SaaS platforms see clear value in embedding fintech solutions with software workflows.

## B2B SME CFO Office Payments Software & Service Landscape

Non-exhaustive



Limited native software providers successfully offer embedded fintech features

sage shopify PayFit soldo

### LEGEND

= Native Fintech capability
  = Native Software only
 ∞ = Key service linkages

### General Observations

- CFO SaaS platforms connect workflows with commerce end points across an SME's financial needs lifecycle.
- Winning SaaS platforms increasingly embed fintech services into their workflows and proposition models
- Strong convergence between SaaS and fintech use cases is evident across several providers in Europe, e.g., accounting SaaS, payroll SaaS, A/R SaaS, spend mgmt. SaaS, web-shop platforms
- Fintech solutions are powered by fintechs (e.g., BaaS / PaaS providers, PSPs) as against banks
- Several SMB neobanks have also expanded to offer embedded SaaS workflow solutions (e.g., accounting/tax) next to the fintech products

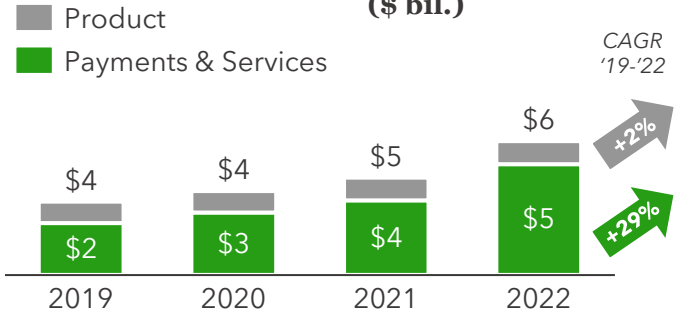
In the U.S., winning CFO SaaS platforms have demonstrated topline success by commercializing embedded SaaS and fintech propositions.

Select Examples

## Integrated Fintech Services from Select U.S. B2B SaaS

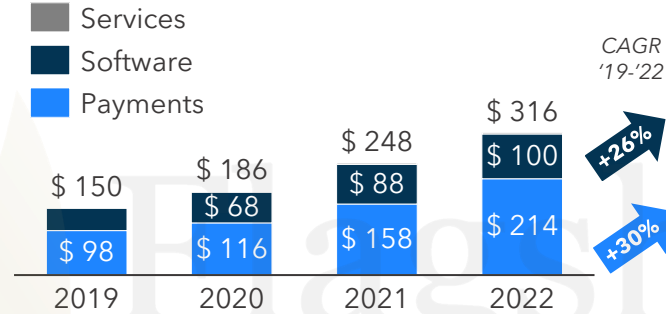
### INTUIT qb <sup>intuit</sup> quickbooks. Accounting

qb <sup>intuit</sup> quickbooks: Small Business & Self-Employed Revenue by Product (\$ bil.)



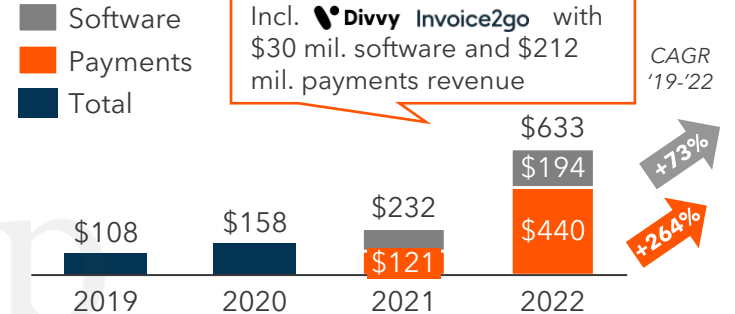
### avidxchange AP Automation

Total Revenue by Product (\$ mil.)



### bill AP/AR Automation

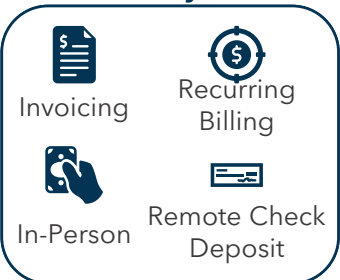
Total Revenue by Product (\$ mil.)



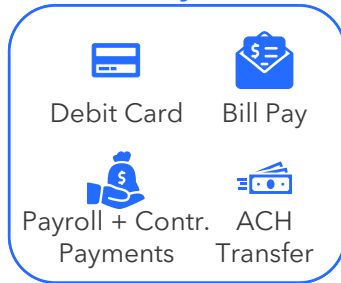
### INTUIT

#### Group Fintech Offering

#### Money In

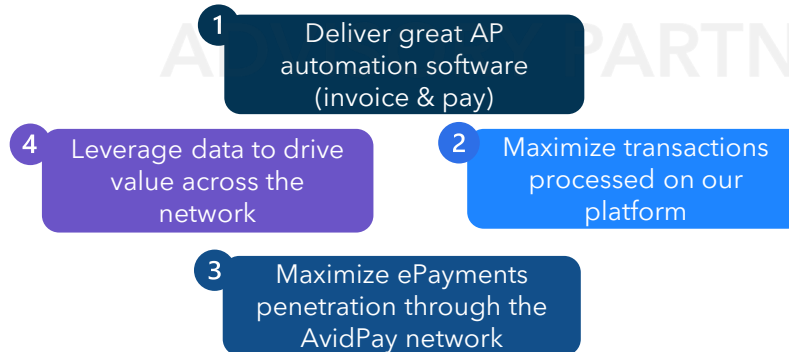


#### Money Out

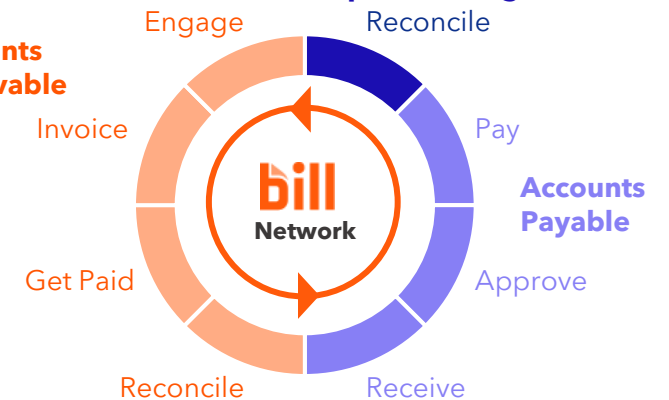


### avidxchange

#### Flywheel for Accelerated Growth



### Accounts Receivable



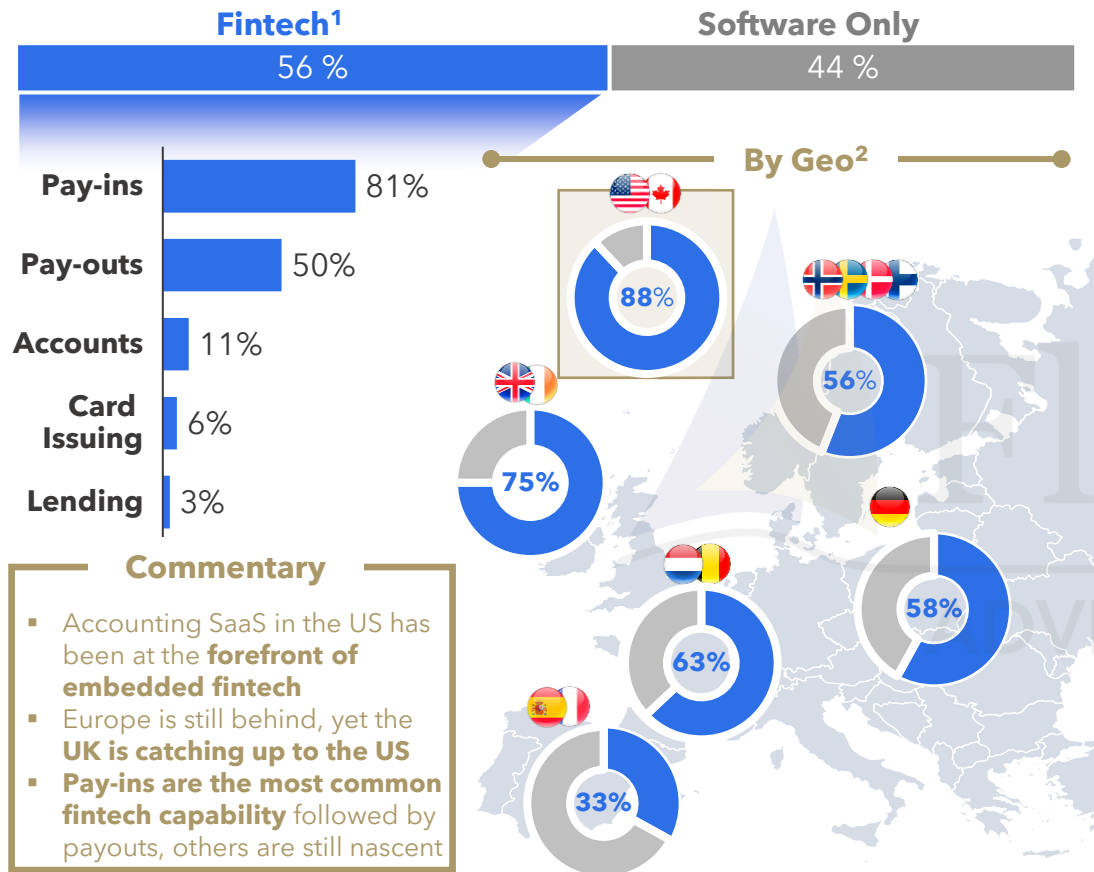
Notes: Quickbooks Payments and Services revenue incl. online ecosystem, revenue from services & support from desktop subscription, payroll & merchant payment processing; Product incl. software & licenses. Bill.com payments revenue are reported under Transaction fees and Interest on funds held for customers.

Sources: Company websites and public financials © Flagship Advisory Partners, December 2023

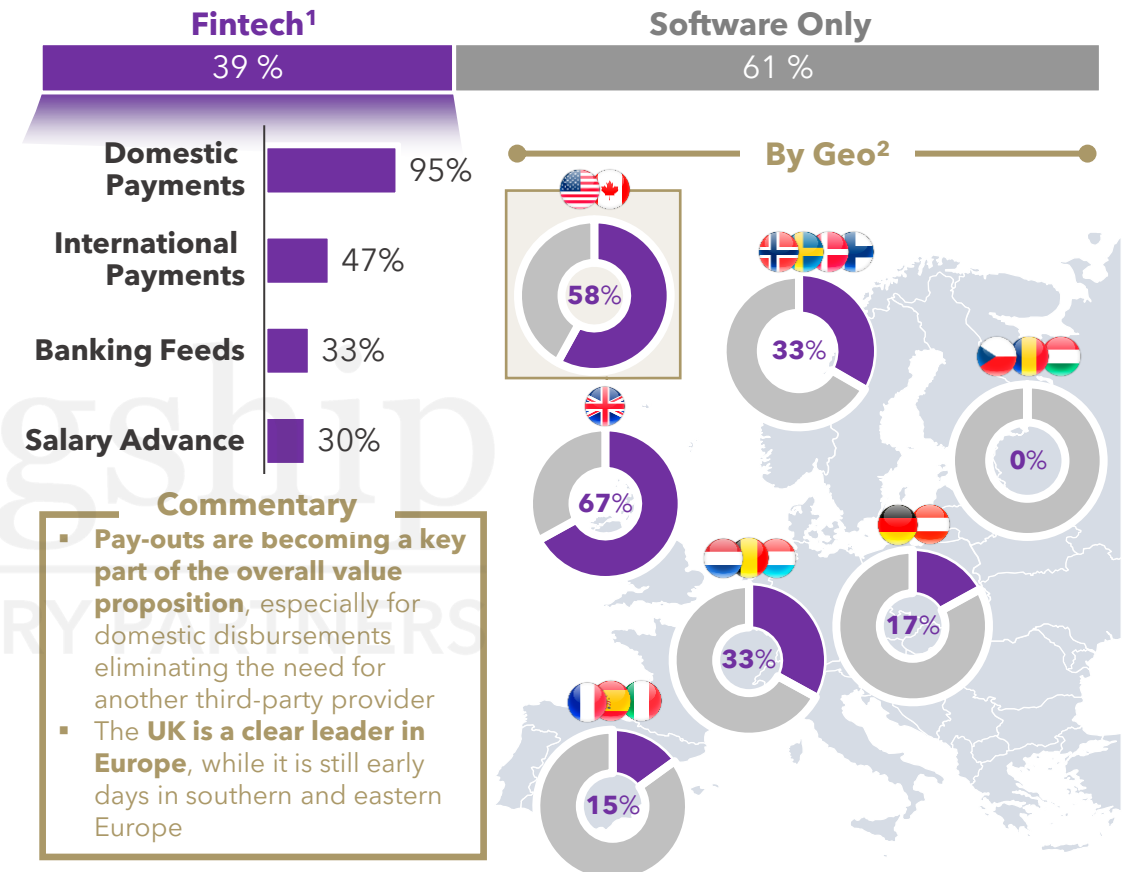
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We already see clear evidence of an acceleration of embedded SaaS & fintech with some office of CFO SaaS verticals in Europe, e.g., accounting SaaS, Payroll SaaS.

### Accounting Platforms with Embedded Fintech



### Payroll Platforms with Embedded Fintech



<sup>1</sup>Flagship analysis of ~100 providers for each, accounting and payroll across EU markets. Fintech offering as marketed on website.

<sup>2</sup>Top SaaS providers by geo based on headquarters. Not exhaustive given the local long-tail often offers SaaS only.

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Embedded fintech expansion use cases and maturity vary across CFO SaaS segments. Commerce front end, spend management, accounting, and payroll are leading the pack.



### Fintech Use Case Expansions by SaaS Segments (based on secondary research, public websites)

| Fintech Use Cases |                           | Commerce Front-end<br>lightspeed<br>shopify | Accounting<br>xero<br>quickbooks | Spend Mgmt.<br>payhawk<br>soldo | A/R, Billing & Invoicing<br>YayPay<br>FastBill | Payroll<br>PayFit<br>silae | A/P<br>tipalti<br>yooz | Cash Mgmt.<br>AGICAP<br>kyriba |
|-------------------|---------------------------|---|----------------------------------|---------------------------------|--|----------------------------|------------------------|--------------------------------|
| Pay-in            | Payments Acceptance       | High  | High                             | Low                             | High   | High                       | High                   | High                           |
|                   | Domestic                  | High  | High                             | High                            | High   | High                       | High                   | High                           |
| Pay-out           | X-border                  | High  | High                             | High                            | High   | High                       | High                   | High                           |
|                   | Merchant Cash Advance     | High  | High                             | High                            | High   | High                       | High                   | High                           |
| Lending           | Working Capital Financing | High  | High                             | High                            | High   | High                       | High                   | High                           |
|                   | BNPL                      | High  | High                             | High                            | High   | High                       | High                   | High                           |
|                   | Consumer                  | High  | High                             | High                            | High   | High                       | High                   | High                           |
| Card Issuing      | Commercial                | High  | High                             | High                            | High   | High                       | High                   | High                           |
|                   | Virtual                   | High  | High                             | High                            | High   | High                       | High                   | High                           |
|                   | Pre-paid                  | High  | High                             | High                            | High   | High                       | High                   | High                           |
|                   | Physical / Checking       | High  | High                             | High                            | High   | High                       | High                   | High                           |
| Accounts          | Virtual / Wallet          | High  | High                             | High                            | High   | High                       | High                   | High                           |
|                   | Escrow                    | High  | High                             | High                            | High   | High                       | High                   | High                           |
|                   | Savings                   | High  | High                             | High                            | High   | High                       | High                   | High                           |
|                   |                           | High  | High                             | High                            | High   | High                       | High                   | High                           |

#### General Observations

- CFO Office SaaS has expanded products into various fintech use cases, embedding these into their core propositions
- Some SaaS segments are more mature (e.g., commerce front-end, accounting) with a broad fintech expansion and essentially becoming a “one-stop-shop” for SMBs
- Embedding payment services are generally more common compared to other fintech propositions (e.g., lending, accounts)
- Select SaaS such as payroll are focusing on specific fintech use cases (e.g., pay-outs)

#### LEGEND:

|  |  |
|--|--|
|  Product Expansion    |  Expansion Maturity |
|  No Fintech Expansion | High Low   |

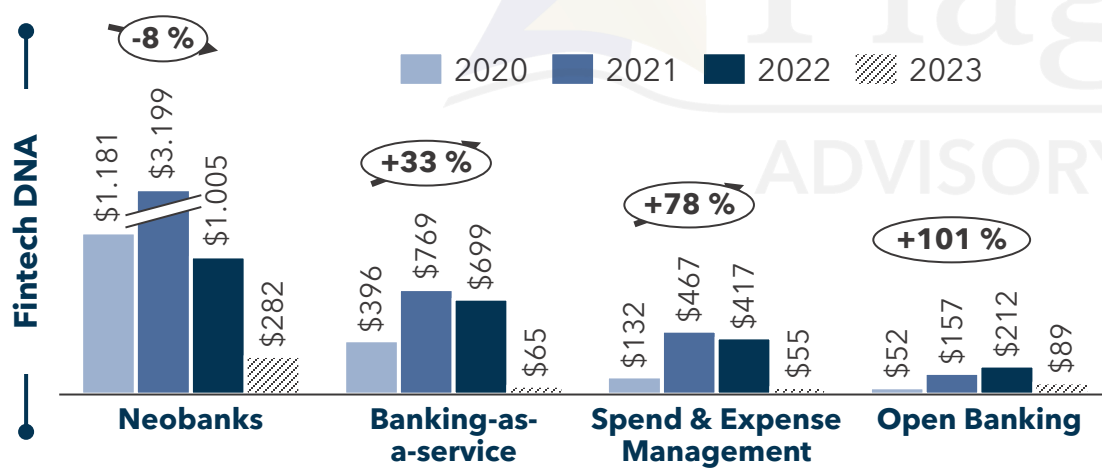
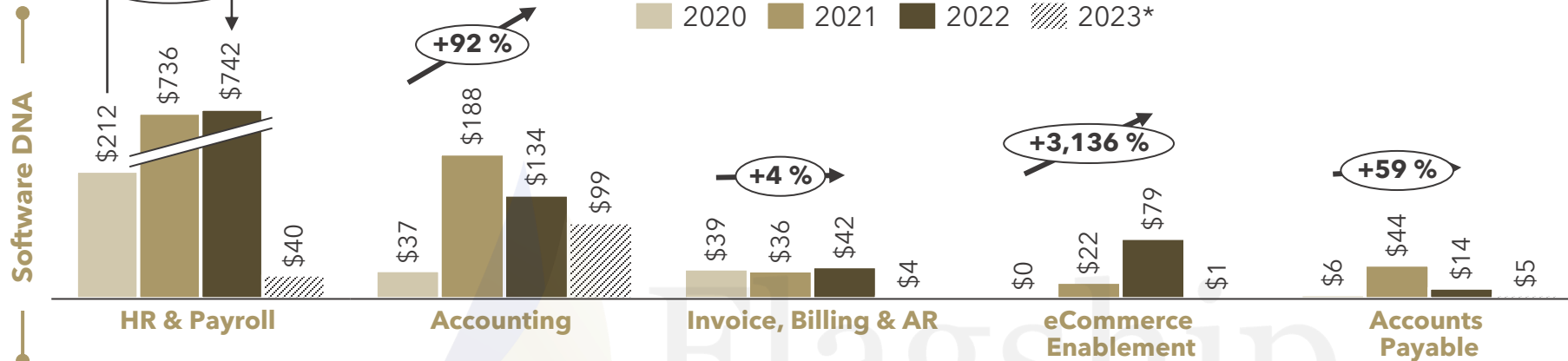


Investments into SME CFO SaaS have increased in prior years. Fintechs that embed into such software have also benefitted from funding rounds.

Non-Exhaustive

### EU Funding by Product DNA

(funding received between Jan '20 to Oct '23 as per Crunchbase \$ Mil; CAGR = '20-'22,; select EU HQ providers)



#### Select Top Funded EU-HQ SaaS



#### General Observations

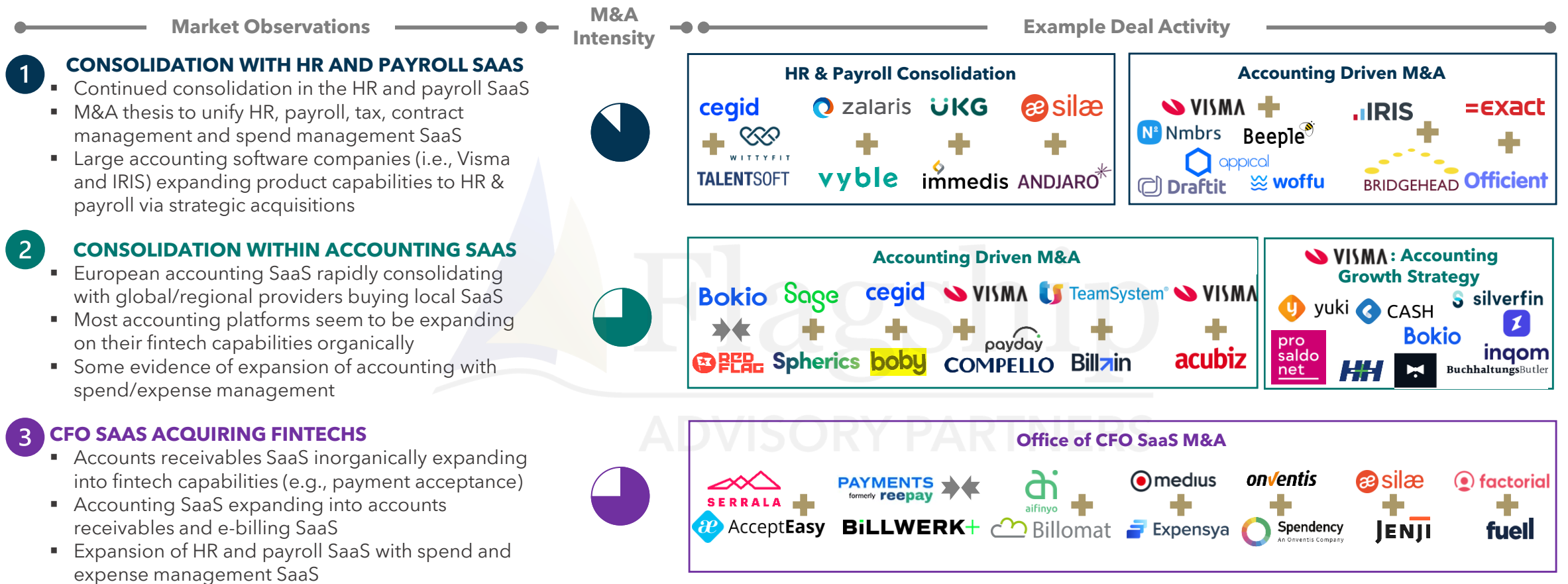
- CFO SaaS saw a **big jump in funding activity** in '21 and '22
- Although funding has significantly reduced in '23, **B2B SaaS companies still attracted most of the fintech funding** this year: 53%\*\* of all deals
- **HR & Payroll, accounting SaaS received the most funding**; e-commerce enablement SaaS demonstrated the highest growth in funding
- **Spend management and open banking fintechs grew the most in funding**

The European CFO SaaS space has been an M&A hotbed. Accounting and payroll SaaS show the most deal activity. In some instances, CFO SaaS have acquired fintechs.

Select Deals

## European SaaS M&A Market Observations

(select deals between Jan '20 to Oct '23 as per Crunchbase, EU HQ providers only)



# Thank You!

*For any questions or comments, please do not hesitate to contact the author:*



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