

20 January 2023

# The Massive B2B X-Border Fintech Opportunity, 2023

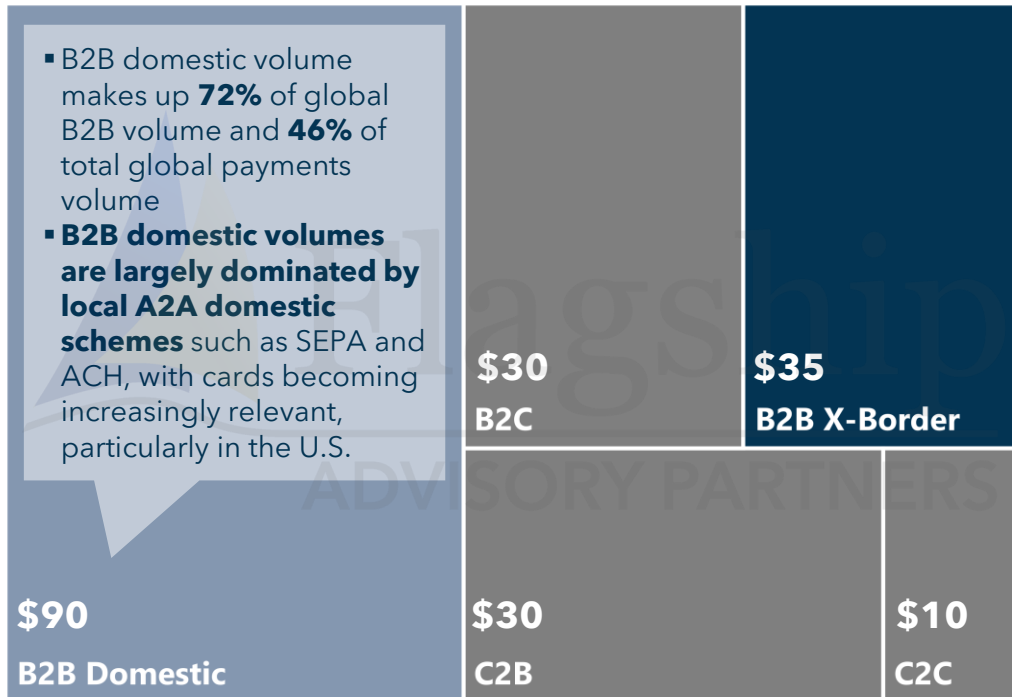
Image credits: **Vecteezy**



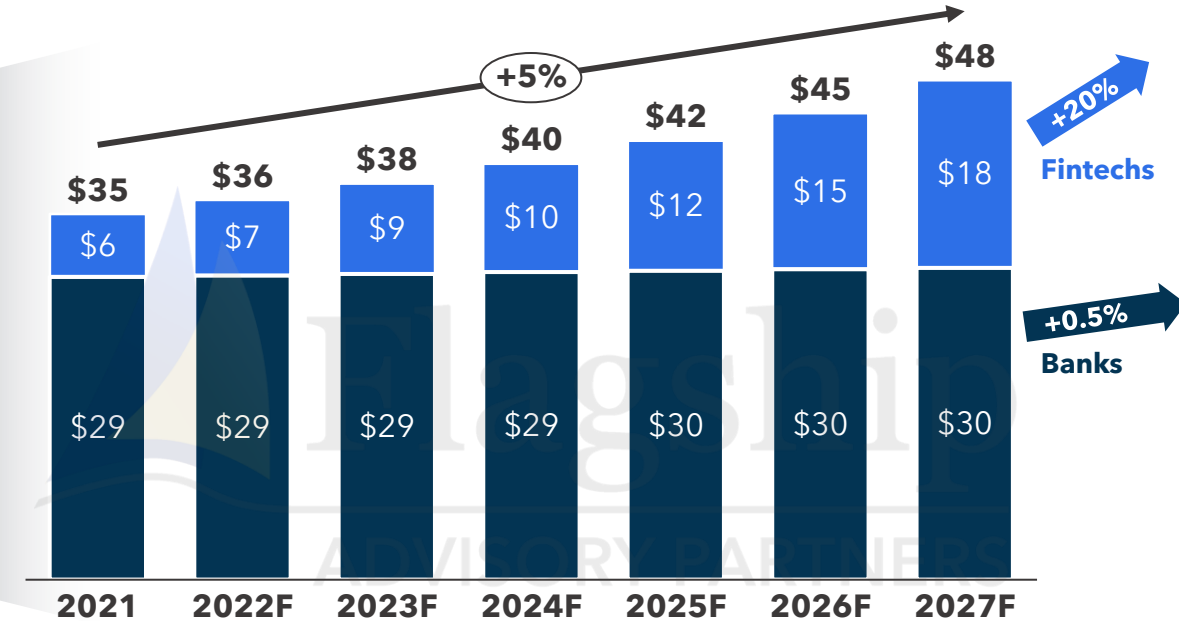
B2B X-Border payments represent a large market opportunity. Banks still own majority of the market but fintech disruption is brisk.

### Global Payments Volumes by Commerce Type (2021 est., USD tril.)

~\$195T Global Payments Volume



### Global B2B X-Border Payments (total turnover, USD tril.)

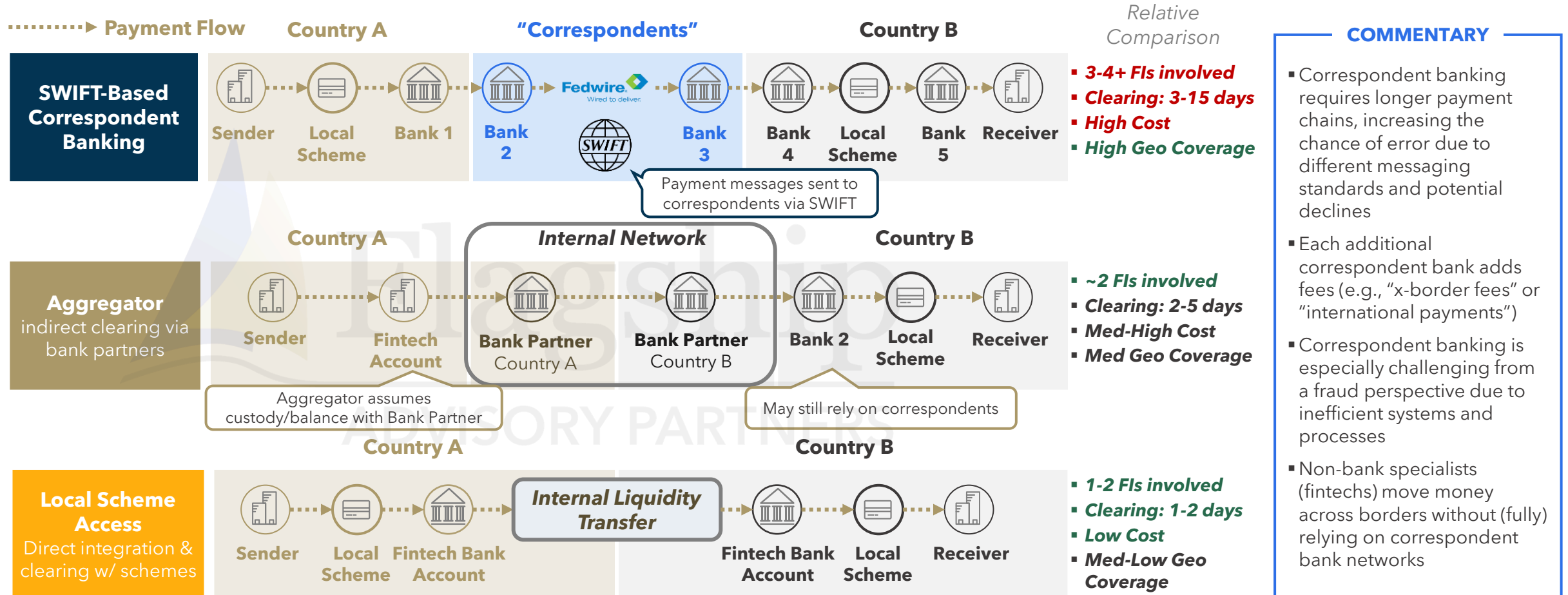


#### COMMENTARY

- Global B2B X-Border payments grow modestly
- We expect fintech share of total turnover to grow at c.20% (in contrast to banks growing at c.1%), with fintech leaders like Wise and Flywire demonstrating even more rapid growth
- We expect bank share of B2B X-Border Payments turnover to decline from c.80% to c.63% over the next 5 years

Traditional SWIFT based correspondent banking networks currently drive most X-Border payments volumes. Fintechs address these challenges with newer operating models.

## X-Border Payment Flows: SWIFT-based Correspondent Banking vs. Prominent Fintech Operating Models



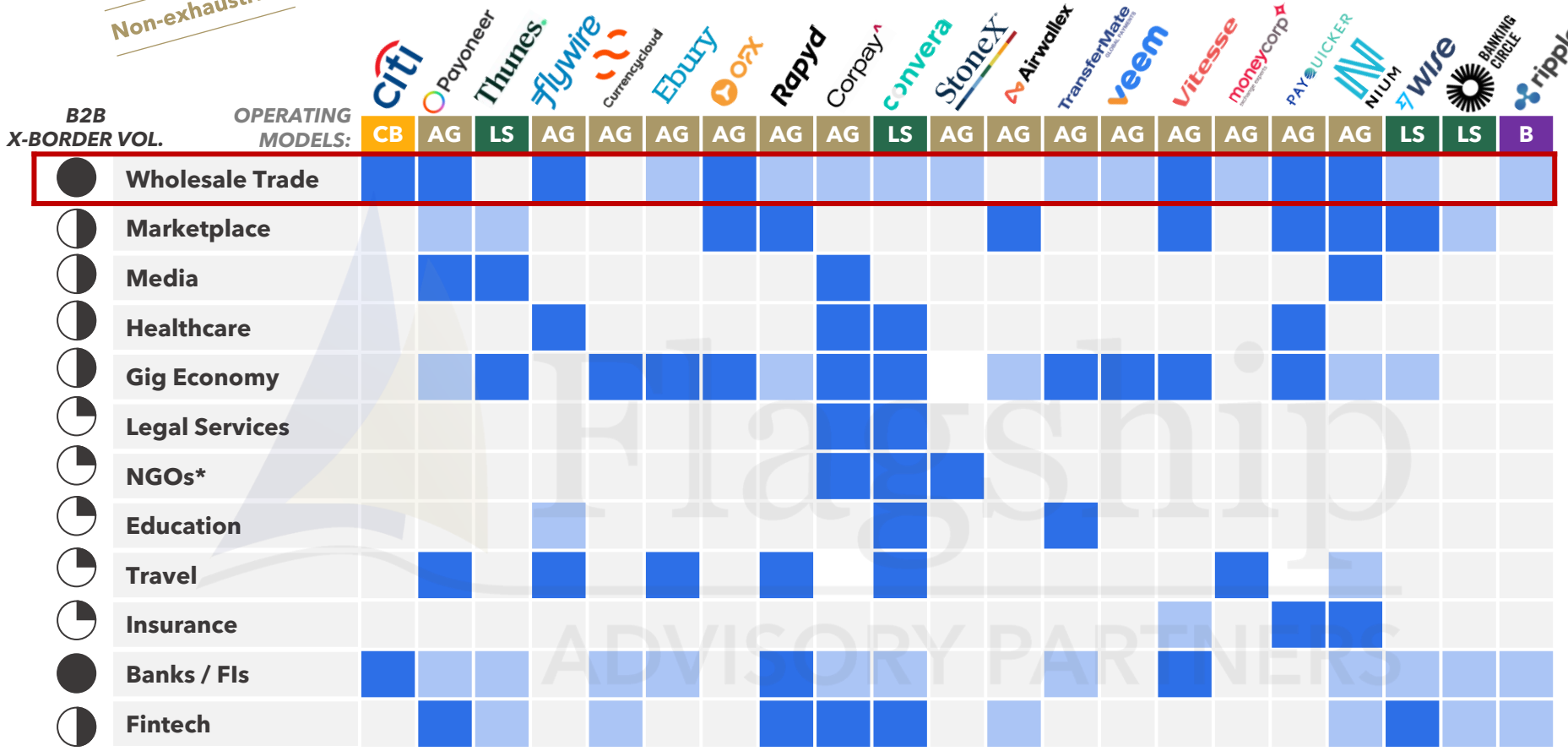
Source: Flagship Advisory Partners Research Jan 2023

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The X-Border fintech landscape is crowded with a variety of product, go-to-market, and operating models.

### Select B2B X-Border Fintech Landscape Players

Non-exhaustive



### COMMENTARY

- The X-Border payments landscape is fragmented, with players competing across multiple dimensions, including regional, vertical, and segment specialties
- Wholesale Trade the largest vertical. Other x-border verticals represent meaningful scale opportunities with significantly lower competitive focus
- Operating models, including bank licensing and local scheme connectivity, are observed differentiators across fintechs; competitors with local scheme access offer more comprehensive x-border transaction capabilities (e.g., control over compliance and KYC/AML) than those utilizing bank partners (referred to as Aggregators)
- Other operating models including Blockchain are still relatively nascent

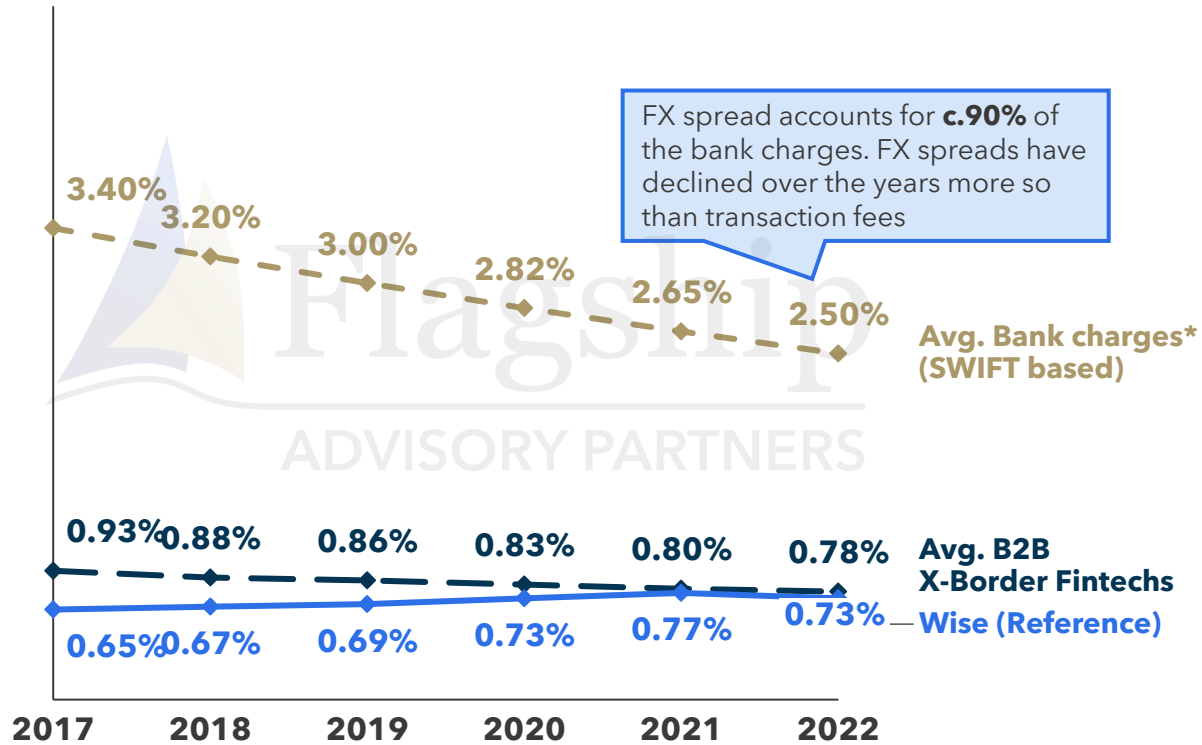
**VERTICAL FOCUS:** Primary Focus (Blue), Secondary Focus (Light Blue)  
**VOLUME SCALE:** Large (Black circle), Medium (Half-black circle), Small (Quarter-black circle)  
**OPERATING MODELS:** CB (Yellow) SWIFT-based correspondent bank, AG (Green) Aggregator (indirect clearing via bank partners), LS (Light Green) Local scheme access (direct integration & clearing), B (Purple) Blockchain

Notes: \*NGOs includes other Professional Services  
 Source: Flagship Advisory Partners Research Jan 2023

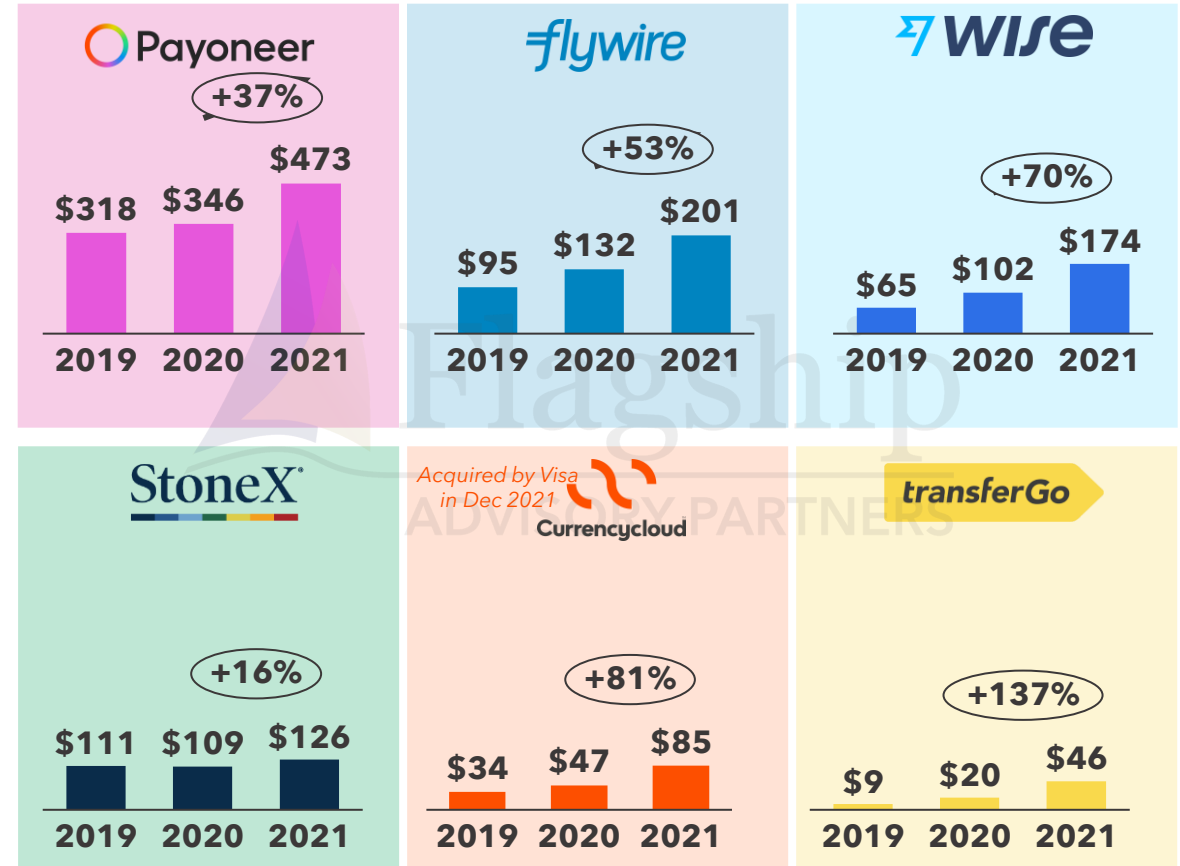


# Fintechs are driving disruption of bank X-Border margins and winning share.

## Gross Take Rates: B2B X-Border Fintechs vs. Industry Benchmarks (%, includes FX spread, based on a selected sample)















## Revenue Growth of Select B2B X-Border Fintechs (revenue in USD mil.; growth rate 2020-2021)



\* Average EU Bank charges for outbound international transfer using internet banking for SMBs and includes FX markup; average ticket size: €4000  
 Wise's take rate is blended for consumers as well as for SME businesses (includes FX mark-up) and the revenue numbers are B2B only. StoneX's revenues are only from the global payments business  
 Sources: Public annual reports & investor presentations, Flagship Advisory Partners Research Jan 2023



Product needs for B2B X-Border payments vary per business size segment. We observe several fintech winners that offer product differentiation to meet such needs.

## B2B X-Border Fintechs: SME & Enterprise Product Needs and Toolkits

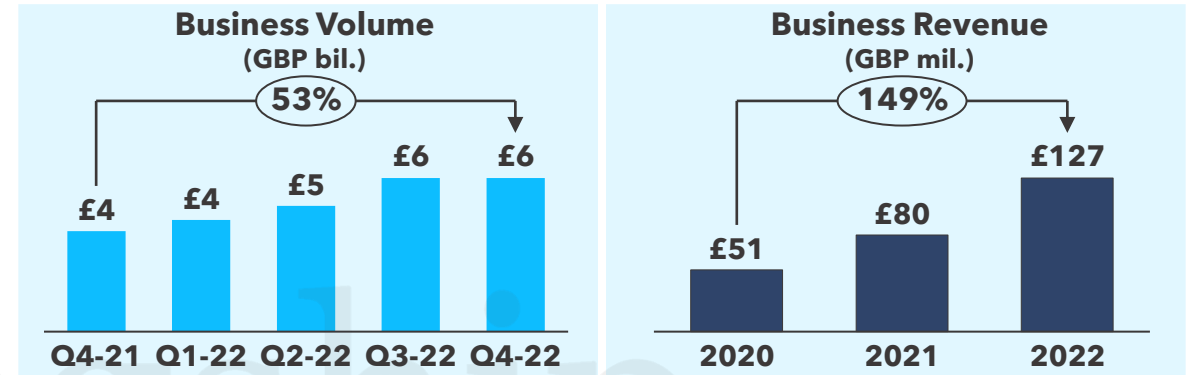
Select Fintechs Serving SMEs	SME	ENTERPRISE	Select Fintechs Serving Enterprises
  	<p align="center"><b>KEY NEEDS IN X-BORDER PAYMENTS</b></p> <ul style="list-style-type: none"> <li>Relatively simpler needs</li> <li>Often single legal entity with one or two bank accounts</li> <li>Have simplified requirements on FX (hedging), risk mgmt.</li> <li>Seek greater speed and efficiency through automation and digitalization</li> </ul> <p align="center"><b>10's of Payments/Mth</b></p>	<ul style="list-style-type: none"> <li>Complex needs, typically support multiple legal entities and several foreign accounts</li> <li>Require seamless integration with ERP, A/P, A/R SaaS</li> <li>Complex FX requirements, need for real time liquidity</li> </ul> <p align="center"><b>1,000,000's Payments/Mth</b></p>	  
  	<p align="center"><b>SUCCESSFUL X-BORDER PAYMENTS PRODUCT TOOL-KIT</b></p> <ul style="list-style-type: none"> <li><b>Easy API based integration and fast on-boarding toolkit</b></li> <li><b>Business bank accounts (multi-currency)</b></li> <li><b>Automated workflows for payout initiation (e.g., AP)</b></li> <li><b>X-border payouts using multicurrency cards or wallets</b></li> <li><b>Relationships with marketplace platforms (e.g., Amazon, Walmart, etc.)</b></li> <li>Competitive FX rates, access to wide variety of currencies</li> <li>Simple FX risk management products</li> <li>Integrations and/or reconciliations with accounting/book-keeping platforms</li> </ul> <p><b>Differentiating products</b></p>	<ul style="list-style-type: none"> <li><b>Customizable integration and onboarding toolkit</b></li> <li><b>Integration of x-border solution with ERP, TMS</b></li> <li><b>Mass payment solutions (supports batch payments)</b></li> <li><b>FX risk management solutions (e.g., forward contracts)</b></li> <li><b>Detailed reporting and overview of payments processed, incl. cash flow forecasting and simulations</b></li> <li><b>Automated A/P and A/R processes and reconciliation</b></li> <li>Payment Batches in multiple settlement currencies</li> <li>Ability to pay in a wide range of payout currencies</li> <li>Access to FX liquidity rates and purchase options</li> <li>Payment workflow (approvals) and secure authentication</li> <li>Payments tracking (real time), access to support</li> </ul> <p><b>Differentiating products</b></p>	  

Wise is a clear market leader on product and technology with major growth potential from ongoing penetration into the B2B segment.

## Wise vs. Banks: B2B X-Border Payments

	 <b>Wise</b>	 <b>BANKS</b>
<b>Geo Focus &amp; Market Coverage</b>	<ul style="list-style-type: none"> <li>✓ Globally oriented</li> <li>✓ Holds 50+ currencies</li> <li>✓ 80+ payout countries</li> </ul>	<ul style="list-style-type: none"> <li>▪ Offer a limited set of currency and country coverage</li> </ul>
<b>GTM Strategy</b>	<ul style="list-style-type: none"> <li>✓ Strong partner network with Accounting SaaS, ERPs</li> <li>✓ SEO / marketing</li> </ul>	<ul style="list-style-type: none"> <li>▪ Rely on direct sales, very little partner channel development</li> <li>▪ Rely on bank relationship managers</li> </ul>
<b>Tech Stack &amp; Product Offering</b>	<ul style="list-style-type: none"> <li>✓ Flexible scheme access model (including direct clearing in four markets)</li> <li>✓ Market-leading customer UX</li> <li>✓ Comprehensive product offering</li> <li>✓ API driven integrations</li> </ul>	<ul style="list-style-type: none"> <li>▪ Notable product gaps (e.g., wallets and card issuing)</li> <li>▪ Strength in FX, risk management products, but often underserve in payments</li> <li>▪ Poor in tech stack and enablement (e.g., APIs)</li> <li>▪ Generally, lack comparable UX and value-added-services</li> <li>▪ Generally, do not offer a comprehensive coverage of payout options, rely on correspondent banking</li> </ul>

## Select Wise KPIs



**Wise connects currency accounts to different SaaS platforms**

**Wise business debt and expense cards**

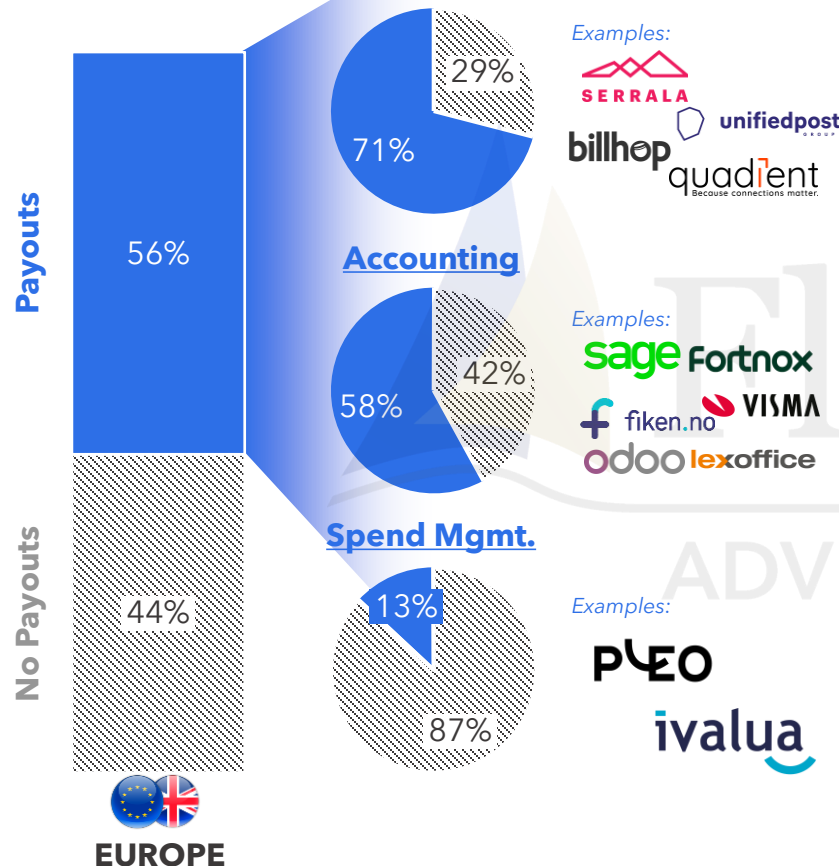
**Comprehensive dashboard with products and services available**

# SaaS integrations and go-to-market collaboration is a major differentiator for winning x-border payment fintechs.

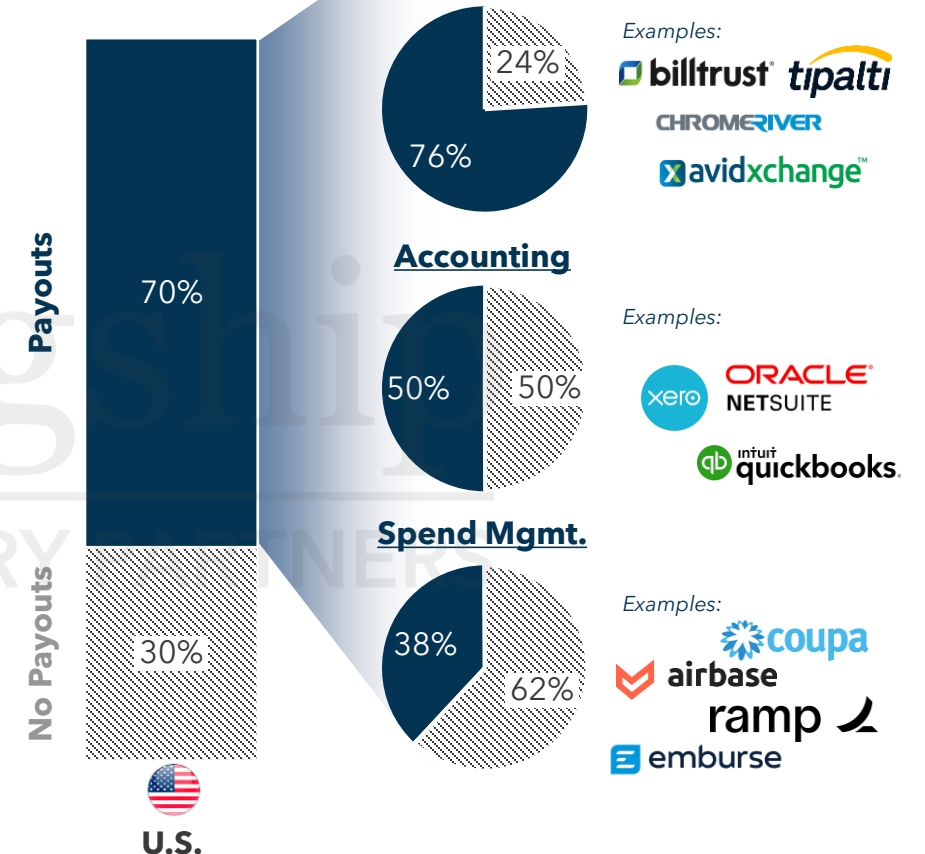
## B2B SaaS Offering Integrated X-Border Payouts

(% of companies that offer integrated x-border payouts\*; analysis of 80+ providers; Jan '23; as marketed on website)

### Accounts Payable/ Accounts Receivable



### Accounts Payable/ Accounts Receivable



### METHODOLOGY

- Flagship has researched 80+ relevant B2B SaaS (across AP/AR, accounting, and spend management) in the European and U.S. markets to assess if they offer and monetize integrated X-Border payout capabilities
- The information used is gathered from public company websites

Notes: Split of US and EU sample is 3:2 (60% US and 40% European headquartered companies)  
 Source: Public company websites, Flagship Advisory Partners Research Jan 2023

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# Thank You!

***For any questions or comments, please do not hesitate to contact one of the authors:***



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