

IDC PERSPECTIVE

2021 IDC FinTech Rankings: Trends and Analysis of Premier FinTech Ranking List

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BROADRIDGE FINANCIAL SOLUTIONS RANKED #14 AND RISING STAR STATUS IN 2021 IDC FINTECH RANKINGS



Rising Stars

IDC would like to acknowledge Broadridge Financial Solutions as a "rising star". That status is reserved for IT companies that have noticeably risen places in the rankings year over year. In a crowded and competitive fintech industry, being recognized as a rising star is quite an accomplishment and takes a tremendous amount of success and hard work.

Congratulations to Broadridge Financial Solutions' increase in rank from #17 in 2020 to #14 in 2021.

IDC Financial Insights Reveals 2021 FinTech Rankings and Real Results

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IN THIS EXCERPT

The content for this excerpt was taken directly from 2021 IDC FinTech Rankings: Trends and Analysis of Premier FinTech Ranking List (IDC # US47255921, September 2021). The paper contains a special introduction from the FinTech team and displays the FinTech logo earned by the recipient. The remaining sections are excerpted from the FinTech Rankings report.

EXECUTIVE SNAPSHOT FIGURE 1

Executive Snapshot: 2021 IDC FinTech Rankings – Trends and Analysis of Premier FinTech Ranking List

IDC Financial Insights has completed the research for our 18th annual IDC FinTech Rankings. The rankings provide a quantitative analysis of revenue specifically derived from the sale of technology solutions to the financial services industry. While actual revenue is not disclosed, we have categorized the vendors into two categories. Those that derive less than one-third of their revenue from financial services are identified in the top 25 Enterprise group; those above are in the top 100.

Key Takeaways

- In 2021, we have added 22 new entrants demonstrating the strength of the IDC FinTech Rankings brand.
- Vendors in the year's list represented over \$226 billion in revenue specifically derived from the financial services industry. While the growth trend year over year did decline, overall, the fintech industry continues to be a thriving and growing industry segment that is driving innovation.
- The top 25 Enterprise firms did grow faster year over year than the FinTech Rankings top 100.
- Digital customer engagement and front-office solutions saw a significant increase in contribution toward revenue as companies had to pivot to a full digital model during the pandemic.

Recommended Actions

- As financial institutions continue to look to modernize their systems, there continues to be further acceptance of buy versus build, as overall growth in these organizations continues to outpace IT spend within the banking, insurance, and capital market industries.
- While acquisitions among fintech vendors were scaled back in 2020 compared with previous years, numerous large acquisitions announced prior had finalized creating some shifts in the fintech landscape.
- Fintech vendors should continue to invest in creating solutions that are built on modern platforms and can provide the financial services industries with the tools needed to remain competitive, particularly with the continued influx of competition from neobanks, big technology firms, and large retailers.

Source: IDC Financial Insights, 2021

SITUATION OVERVIEW

2021 marks the 18th year that IDC Financial Insights has conducted its IDC FinTech Rankings research, a quantitative "state of the industry" measurement for financial services-based revenue earned by the top 125 technology firms globally. The financial services industry is made up of banking, insurance, and capital markets firms that buy hardware, software, and services from third-party IT providers. Two categories of IT companies are ranked:

- **IDC FinTech Rankings top 100:** These are IT vendors that derive more than one-third of their revenue from financial institutions (FIs). This category is made up of firms that primarily supply software and services to the industry.
- **IDC FinTech Rankings top 25 Enterprise:** These are technology companies serving multiple industries and whose financial services revenue is substantial but less than one-third of their

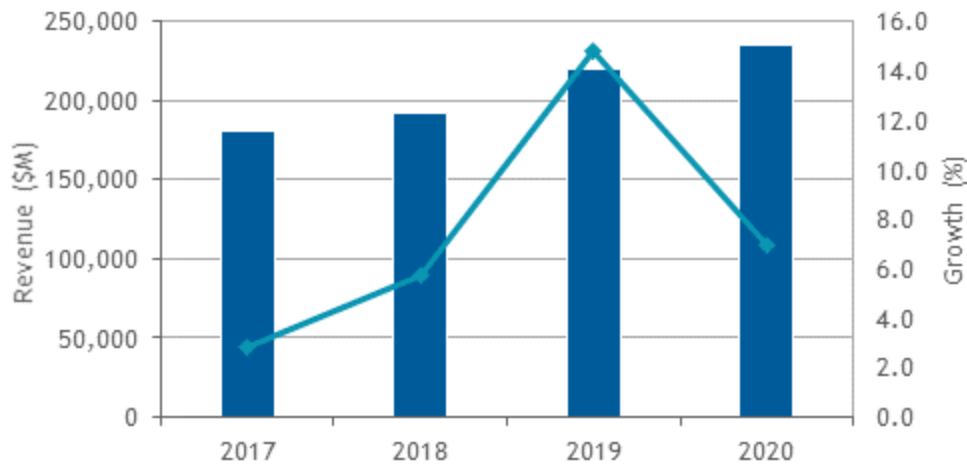
revenue from financial institutions. In addition to software and services, many of these organizations also supply hardware to the industry.

Revenue from sales of network, telecommunications, electronic exchanges, and data services is excluded from the IDC FinTech Rankings. Firms such as market data providers or credit bureaus that derive revenue from excluded categories but have revenue tied to software, hardware, or services are considered for these rankings. For these data providers, the revenue attributed to data is used to qualify the provider to meet the one-third hurdle, yet only the qualifying portion of revenue is included in the ranking.

Figure 2 shows the overall revenue trends for the combined field of the top 100 fintech and the top 25 Enterprise firms over the past four years. Despite a clear slowdown because of the economic conditions in 2020, there continues to be growth and the industry revenue in CY20 has surpassed the \$200 billion threshold for the second year in a row, coming in at right around \$235 billion, an increase of 7.0% compared with 2019 revenue. We anticipate that the revenue for these companies will grow significantly in 2021, based on current projections and an increase in spend by the financial services industry to continue to digitize its operations and modernize its infrastructure.

FIGURE 2

2021 IDC FinTech Rankings Top 100 and Top 25 Enterprise Revenue and Growth, 2017-2020

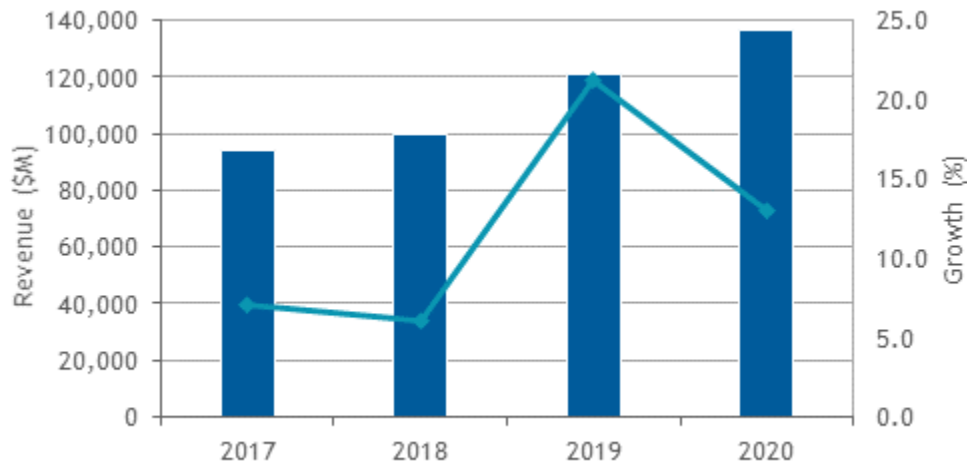


Source: IDC Financial Insights, 2021

Figure 3 provides the revenue and growth over the past four years for just the top 25 Enterprise group, while Figure 4 provides the revenue and growth over the past four years for the top 100. Overall, we saw an anticipated drop-off based on the uncertainty surrounding many organizations in 2020. The top 25 Enterprise group grew revenue by 12.96%, while the top 100 was basically flat, to just slightly negative. Again, we anticipate that both sectors will see a healthy recovery in 2021 and will be back to solid growth rates.

FIGURE 3

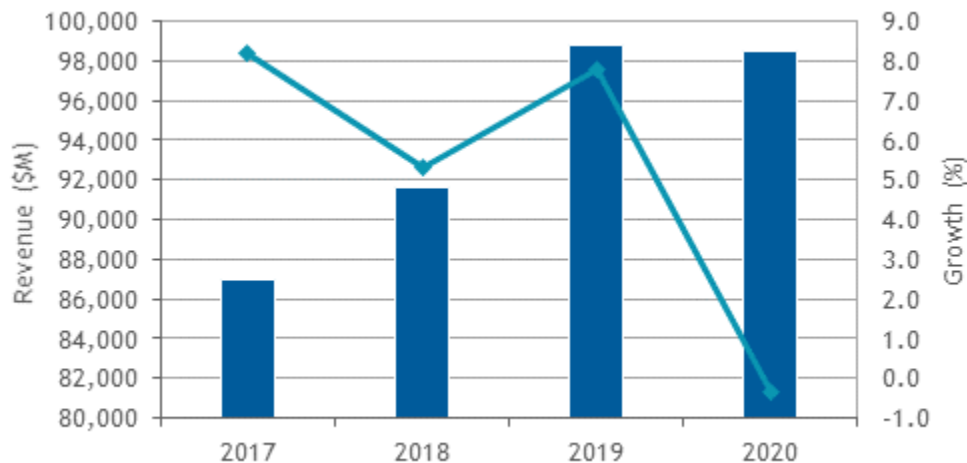
2021 IDC FinTech Rankings Enterprise Top 25 Revenue and Growth, 2017-2020



Source: IDC Financial Insights, 2021

FIGURE 4

2021 IDC FinTech Rankings Top 100 Revenue and Growth, 2017-2020



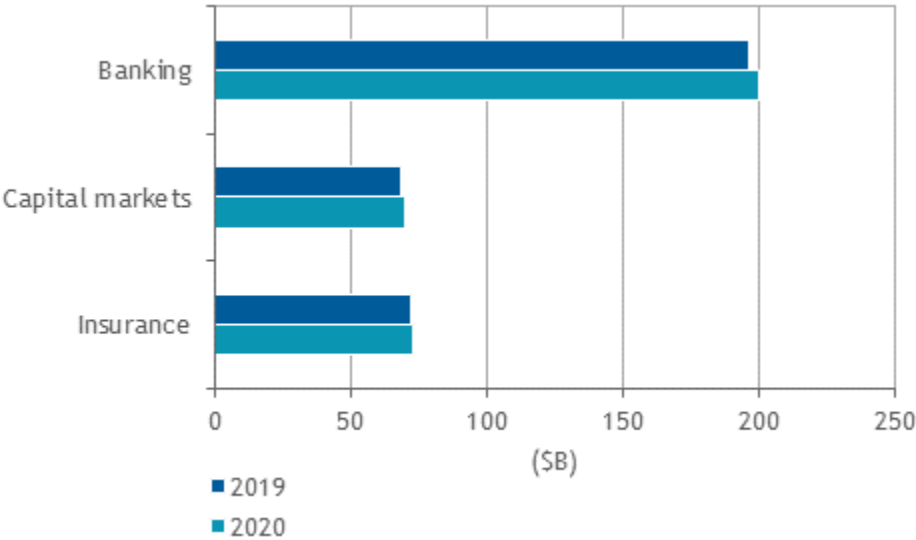
Source: IDC Financial Insights, 2021

Next, we look at the percentage of worldwide total IT spending in financial services going to the FinTech Rankings top 100 and top 25 Enterprise technology companies. IDC Financial Insights uses these ratios to track the percentage of IT investment dollars going to the FinTech Rankings top 100 and top 25 Enterprise companies versus vendors not represented in the FinTech Rankings. Figure 5

shows the breakdown over the last two years by industry on total spend of IT solutions, defined as hardware, software, and services. The top-line total IT spend among all three major industries in 2020 was estimated by IDC to be approximately \$343 billion, which is just slightly ahead of the spend in 2019 of \$337 billion. The banking industry still commands about 60% of the total spend as capital market and insurance firms basically split the remaining spend. All industries, however, saw marginal growth in total spend in 2020. IDC had anticipated marginal growth for 2020 and expects a more normalized growth trajectory going forward.

FIGURE 5

Worldwide Top-Line IT Spending in Financial Services, 2019 and 2020



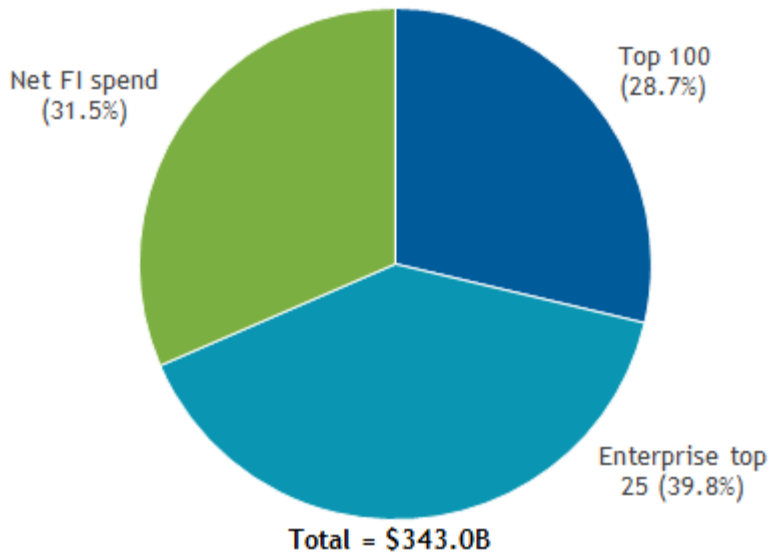
Source: IDC Financial Insights, 2021, and IDC's Worldwide Banking IT Spending Guide, Worldwide Capital Markets IT Spending Guide, and Worldwide Insurance IT Spending Guide, March 2021

Figure 6 shows the proportion of hardware, software, and services revenue going to the top 125 companies tracked in this ranking. The "net FI" spend represents spending with vendors that are not represented on the rankings list. As we have added a few larger players this year to the top 25 Enterprise group, the overall percentage of IT spend captured by the IDC FinTech Rankings is 68.5%, which is an increase from last year when the percentage was just around 65%. The remaining percentage of spend is represented in the "net FI" spend portion of spend with companies that are not represented on the ranking list.

We have developed a metric based on our research to come up with an average revenue production per employee for three different tiers of revenue. While we do not specifically disclose these revenue amounts, we combined the 125 companies and created logical demarcation for revenue to assist with this exercise. Larger revenue streams can be realized as organizations grow, benefiting from increased visibility, scale, and maturation of business processes. Smaller organizations have the benefit of being more nimble and able to change their solutions quickly based on the overall market conditions. Figure 7 provides the breakdown of that revenue production across the three tiers and is intended to be used as a peer metric, as results will vary across each organization.

FIGURE 6

Worldwide Financial Services IT Spending Share Earned by FinTech Rankings Top 100 and Enterprise Top 25 Companies, 2020

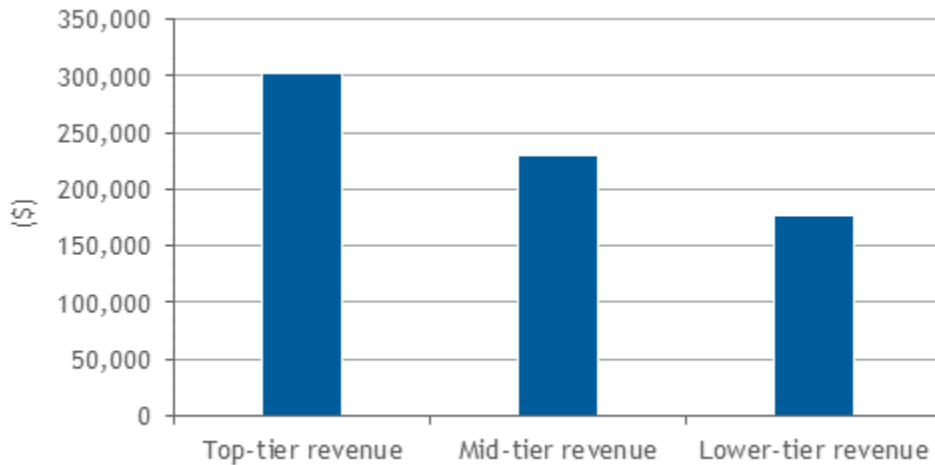


Note: Share for Top 100 and Top 25 Enterprise obtained in research of IDC FinTech Rankings is represented; non-ranked companies make up the rest represented by "Net FI spend."

Source: IDC Financial Insights, 2021

FIGURE 7

IDC FinTech Rankings: Average Revenue Production per Employee



Note: Revenue numbers for individual companies are not disclosed; this is a calculated average based on grouping by revenue.

Source: IDC Financial Insights, 2021

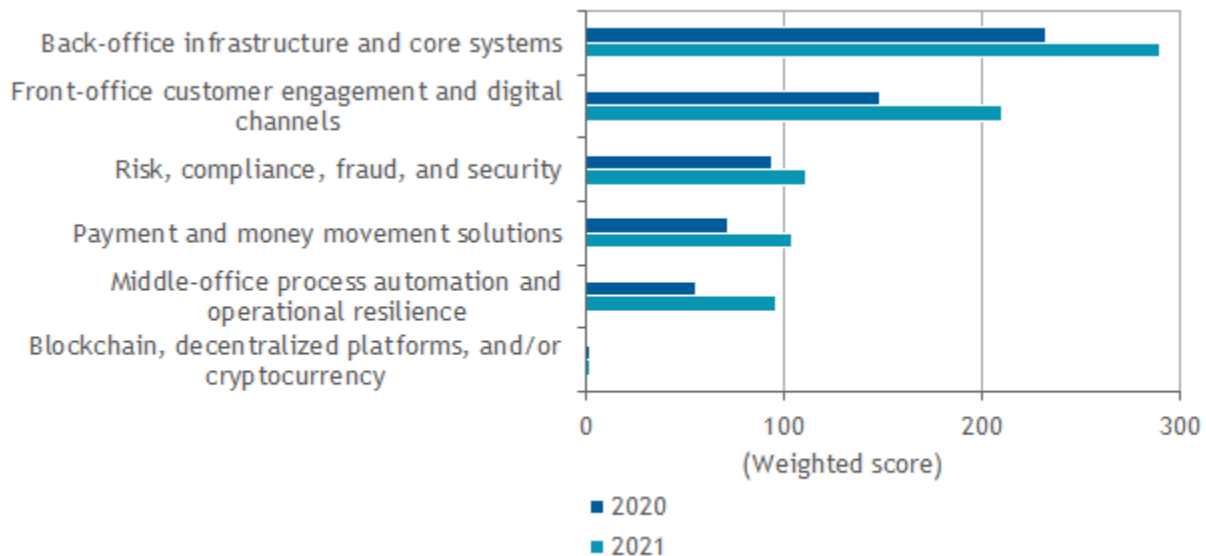
ADVICE FOR THE TECHNOLOGY BUYER

As part of our research into the IDC FinTech Rankings, we had an exclusive opportunity to ask the vendors the bank functions that are contributing the most to their revenue. Six choices were provided, and we asked them to rank sort their top 3; the results are shown in Figure 8.

FIGURE 8

FinTech Vendor Revenue Contribution by Function, 2020 and 2021

Q. From the list below, please select the three that contribute the most to your revenue.



n = 94

Notes:

Fintech vendors were presented the aforementioned list of choices and asked to pick up to three choices.

Score is a weighted score.

Source: IDC Financial Insights' *IDC FinTech Rankings Vendor Survey, 2021*

As we look at the results of the survey, as we have seen in past years, back-office infrastructure and core systems drive a significant part of the revenue. As organizations were looking to become more modernized and resilient with their infrastructure, they rapidly adopted a strategy to deploy more cloud solutions to offload processes and reduce their own datacenter footprints. An area that did see significant year-over-year growth also comes from the front-office customer engagement and digital channel revenue component. The customer experience has been reinvigorated during 2020 as many institutions had to rapidly accelerate solutions that had previously been on their strategic road map. The branches and contact centers were most notably impacted by the global pandemic and are receiving a significant infusion of investment to handle a digital-first experience for both the customer and the employees.

Payment and money movement grew during 2020, fueled by investments in creating more ecommerce and digital wallet experiences. Risk, compliance, fraud, and security has been another growing area of investment as the industry continues to adhere to regulatory policies while solidifying the trust and goodwill the industry has built over the past decade. And finally, process automation and operational resilience also saw some growth, as organizations need to focus on improving their overall efficiencies while creating a more resilient organization. Blockchain, decentralized platforms, and cryptocurrency were not major revenue stream opportunities; however, with more announcements regarding the integration of crypto solutions being integrated into or acquired by some of the larger fintech vendors, the table may have been set to see further growth in this segment as well.

LEARN MORE

Related Research

- *The Challenges and Opportunities of a Hybrid Banking Infrastructure* (IDC #US48079121, July 2021)
- *Digital Banking Solutions Become Dominant Engagement Platform* (IDC #US46524521, June 2021)
- *Understanding Empathy at Scale and Impact on the Future of Retail Banking Customers* (IDC #US47617221, April 2021)
- *Payments in the Cloud: Results from IDC's 2020 CloudPath Survey* (IDC #US47584221, April 2021)
- *IDC PlanScope: Digital Lending Modernization* (IDC #US47094420, December 2020)
- *IDC PeerScope: Practices to Develop Enterprise Fraud Management Strategies* (IDC #US47039520, December 2020)
- *IDC FutureScope: Worldwide Financial Services 2021 Predictions* (IDC #US45821120, October 2020)
- *2020 IDC Fintech Rankings: Trends and Analysis of Premier FinTech Ranking List* (IDC #US45821020, October 2020)

Synopsis

This IDC Perspective presents the findings of the 2021 IDC FinTech Rankings. The annual program serves the needs of financial institutions worldwide by presenting current and historical trends in performance by the partner companies that support the financial service technology. The rankings data indicates longevity, strength, and commitment to the industry, as well as tracking newcomers and rising stars of the top IT firms globally.

"The year 2020 was a year unlike any other, and for many fintech vendors it was the first time that they had to deal with such economic uncertainty and disruption," says Marc DeCastro, research director at IDC Financial Insights. "The fintech vendors have risen to the challenge and have assisted financial institutions to accommodate the dramatic disruption caused by a global pandemic. Fintech vendors have provided both innovation and stability allowing for a seamless transition from in-person to digital experiences for both customers and employees and accelerated transformation strategies by years for many organizations."

About IDC

International Data Corporation (IDC) is the premier global provider of market intelligence, advisory services, and events for the information technology, telecommunications and consumer technology markets. IDC helps IT professionals, business executives, and the investment community make fact-based decisions on technology purchases and business strategy. More than 1,100 IDC analysts provide global, regional, and local expertise on technology and industry opportunities and trends in over 110 countries worldwide. For 50 years, IDC has provided strategic insights to help our clients achieve their key business objectives. IDC is a subsidiary of IDG, the world's leading technology media, research, and events company.

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