



*Finix Recognized for*

**2021**

**Enabling Technology Leadership**

North America

Payment Infrastructure Industry

*Excellence in Best Practices*

## Best Practices Criteria for World-Class Performance

Frost & Sullivan applies a rigorous analytical process to evaluate multiple nominees for each award category before determining the final award recipient. The process involves a detailed evaluation of best practices criteria across two dimensions for each nominated company. Finix excels in many of the criteria in the payment infrastructure space.

AWARD CRITERIA	
<i>Technology Leverage</i>	<i>Customer Impact</i>
Commitment to Innovation	Price/Performance Value
Commitment to Creativity	Customer Purchase Experience
Stage Gate Efficiency	Customer Ownership Experience
Commercialization Success	Customer Service Experience
Application Diversity	Brand Equity

### Market Overview

In recent years, a new concept in the financial services industry has focused a lot of attention: embedded finance, i.e., integrating financial services capabilities into one’s (traditionally non-financial) offering to enable businesses across any industry to enhance their customer experience. Advances in mobile technology, payment infrastructure, and open data ecosystems have helped push the retail and finance convergence across a gamut of products and services today. Embedded finance transforms any merchant into a payments processor, offering new revenue channels, streamlined customer acquisition, and increased customer retention, to name just a few of the current and potential benefits of the embedded finance space.

In the payments category, payment facilitators (PayFacs) provide the infrastructure that allows their clients to process payments. Businesses face various challenges in receiving, managing, and processing

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**- Jeffrey Castilla, Best Practices Research Team Leader**

payments. Traditionally, they have two choices: (i) build their own payments infrastructure in-house or (ii) seek external help from third-party providers. While the former represents a very costly and cumbersome process (millions of dollars and years of development go into these capabilities), the latter represents an opportunity cost, namely the ability for companies to control their payment infrastructure (absent any of the associated costs to

outsource). The strategic and financial value of PayFac organizations is centered on the ability of companies to retain control and benefit from additional income of managing their own revenue channels.

The payment facilitation industry is proliferating, partially due to the electronic commerce (e-commerce) and digital payments boom brought on by the COVID-19 pandemic. However, many vertical software as a service (SaaS) companies are also driving industry growth. These businesses face an interesting dilemma: the specificity of their business models allows them to create seamless, custom-tailored customer experiences; however, their narrow focus also limits growth opportunities. As a result, many of these companies have begun integrating financial services, namely payments, to supplement their revenue. Hence, PayFacs are stepping in with their attractive value propositions.

### ***Company Background***

San Francisco, California-based Finix Payments (Finix) offers an embedded financial solution that allows businesses to process, manage, and monetize payments from their customers. The company's founders are former executives and engineers of Balanced, a pioneering payments platform company they later exited to Stripe. Their experience at Balanced afforded them keen insights into the critical challenges that merchants and businesses face when they build payments infrastructure in-house. In 2015, the founders launched Finix to help businesses own and control their payments processing. Today, Finix operates out of two offices in the United States and has more than 100 employees.

### ***Making Financial Services Accessible through Three Main Solutions***

In contrast to other market players, Finix focuses specifically on platform-based companies. These businesses have entirely different needs from merchants, mainly due to scale and complexity. While merchants only have to worry about their own payments, platform businesses are responsible for the payments of thousands of merchants. They have to perform settlement and reconciliation at a much higher magnitude. Finix's mission is to simplify these payment processes and make them more accessible for platforms. The company accomplishes this goal through three main products: its core platform, push-to-card disbursements, and Finix Flex.

**Core.** Finix's core platform includes a comprehensive, full-stack, developer-friendly payment infrastructure. It supports users throughout the PayFac life cycle, enabling them to process and reconcile transactions and underwrite merchants. Its dashboard features capabilities for transfers, authorizations, settlements, disputes, and reports. Users can also manage subscriptions, create custom fees, and display additional information in merchant deposit statements. The dashboard provides notifications of newly added features, such as its settlement filtering feature that allows users to filter views based on different settlement types (accruing, awaiting approval, staged funding instructions, and approved).

**Push to Card Disbursements.** Finix's Push to Card Disbursements platform transfers payments to consumers instantly through Visa Direct and Mastercard Send. By disbursing payments in real time, Finix can streamline integrations.

**Flex.** Introduced in the first half of 2020, Flex offers a way for users to integrate quickly with Finix. With Flex, customers can leverage Finix’s application programming interfaces (APIs) to automate payment services. They also receive support from Finix’s Client Services team and access to the necessary API documentation. Flex is ideal for clients seeking to become operational rapidly yet with a gradual expansion of payment capabilities with Finix as they scale—with the overall objective to own and control their payments capabilities completely.

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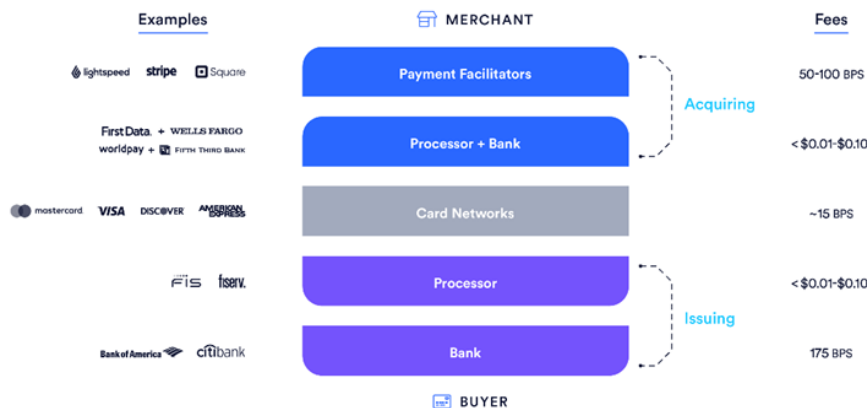
Finix supports these solutions with multiple resources, including documentation, glossaries, articles, and technical assistance. The solutions also meet various security and compliance standards such as Level 1 Payment Card Industry Data Security Standards, System Organization Controls 2, General Data Protection Regulation, and the California Consumer Privacy Act.

**Market Education through Thought Leadership**

Finix guides its clients through the deployment process. Before integration, the company spends time and effort focusing on education. Finix strives to make the payments industry accessible through thought leadership in the form of blog posts, webinars, documentation, and various conceptual frameworks that demonstrate the value and importance of integrating payments. For example, “The Payments Layercake” is a diagram equivalent to a traditional payments stack. It provides a visual representation of how different players fit into the payments network and how they relate to each other. Clients who view it can understand their place within the PayFac paradigm and how they gain additional basis points by leveraging Finix’s platform. Another framework developed by Finix includes “Pizza-as-a-Service”, which explains the benefits and differences of the four main options for integrating payments. By likening these models to various options for ordering pizza, Finix provides a clear picture that the market can easily understand.



**The Payments Layercake**



Source: Finix

### ***From Birth to Growth***

Finix also supports clients during and after implementation. Clients' needs vary greatly, and Finix leverages its expertise to advise them and guide them through the process. Most of Finix's clients have long life cycles. They are often small businesses that offer software platforms or electronic commerce marketplaces, so payments and transactions are central to their business operations. Once they integrate with Finix, Finix's software becomes an integral component of their value propositions. Finix emphasizes a "birth to growth" approach that allows clients to future-proof their payment stacks and evolve with Finix over time. They start out using Finix's APIs in its core platform; then, as they grow and their payment facilitation needs change, they migrate to full payments ownership or customer funds flows. Most other PayFac companies charge them switching fees if they want to adapt their payment solutions. However, Finix enables them to develop and grow without having to pay those fees. Finix's customer success team provides ongoing support through quarterly check-ins, continuing education, technical support, and business reviews.

When clients need to adjust their strategies or revise their solutions, Finix's team members can support. The company has adopted a modular architecture approach which has the benefit of adaptability to any customer context. Rather than designing custom features, Finix incorporates client feedback into its product development by breaking features down into modules and making them configurable, then adding them to its platform. Clients can configure their solutions to suit their needs, picking and choosing which services they want to offer. They can transition seamlessly without the disruption of changing providers. This continuity and cost savings is a key benefit of Finix's offering. As a result, the company has lasting relationships with its clients.

Finix's customer base spans a spectrum of e-commerce marketplaces, vertical SaaS companies, startups, and publicly traded companies that began leveraging payments to supplement their revenues. Notable clients include Zendoor, an Arizona-based property management company that used Finix to future-proof its customer experience; Lightspeed, a point-of-sale and e-commerce software provider; and Passport, a mobility and parking management software company that witnessed tremendous growth when large cities adopted coinless mobile application-based solutions during the COVID-19 pandemic. More recently, Finix partnered with Synctera, a technology platform and marketplace that creates partnerships for community banks and financial technology companies. In this partnership, Synctera integrated Finix's Push-to-Card Disbursement product into its platform.

***"Integrating with Finix was effortless, and thanks to their stellar support, we launched in days instead of months."***

**-Angel Herrera, CEO at Zendoor**

### ***Building Brand Equity through Product Development and Partnerships***

The payments industry is massive and growing. In August 2020, Finix reported a 450% increase in payment volume year-over-year from Q2 in 2019 to Q2 in 2020. This increase is partially due to the influx of digital payments and e-commerce during COVID-19. Providers have many choices to make because there are many different directions to take their businesses. They must be strategic in the way they decide to grow. Finix's long-term strategy is to expand its functionality, features, and capabilities to

strengthen accessibility for its customers—and ultimately supporting their customers' own growth. Part of Finix's strategy is to consider problems and trends in the long term and prepare for them. Finix invests in growth opportunities that may not come to fruition for several years. The company builds out foundational integrations that may not be required yet.

Others believe in Finix's mission as well. The company surpassed \$100 million in funding raised in February 2021, receiving backing from established financial services companies and investors such as Lightspeed and Amex Ventures. This milestone was preceded by Finix's Series B extension in August the year prior, which supplemented the round with an additional \$30 million, bringing the total to \$75 million at the time. Finix opened up 10% (\$3 million) to Black and Latinx investors and partnered with an angel list company, Flow, to set up a special purpose vehicle to fulfill its commitment of allocating 10% to Black and Latinx investors in all future rounds.

Finix also set up The Cap Table Coalition, an entity designed to help diversify the venture capital landscape by involving traditionally marginalized investors. The Cap Table Coalition has witnessed tremendous success as other companies joined the same pledge. Nearly 200 investors (among them Synctera, Gaingels, Neythri Futures Fund, and Plexo Capital) have committed millions of dollars to its cause. This community has led to many deals and introductions, exposing investors to like-minded individuals and leading to new customer relationships for Finix.

Part of the funding raised went to hiring top talent to help Finix implement its business strategy. A new Chief Technology Officer, Chief Operating Officer, and Senior Vice President of Revenue joined the Finix team, which they complement with robust backgrounds. These new additions have worked for well-established companies like Marqeta, Microsoft, Google, Uber, and Google Cloud. They joined Finix because they recognize the opportunity and want to be a part of Finix's mission.

## Conclusion

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PayFacs provide a unique value proposition that drives revenue, increases customer retention, and streamlines customer acquisition. Finix capitalizes on this opportunity by offering a platform that lays out a path to ownership for its clients. Since the platform is modular, clients can pick and choose which services they want to integrate. Then, as their businesses evolve, they can migrate to full payments ownership and custom funds flows. Finix's Client Services team and engineers support clients every step of the way. Many of them have deep-rooted relationships with Finix. The company's vision has gained support from numerous investors and partners. The company has raised over \$100 million to date. Finix also extended a 10% of its Series B extension to Black and Latinx investors, a move that garnered the support of other companies that have joined in its cause.

Working purposefully to fulfilling its vision of meeting and exceeding clients' needs as they develop, underpinned by its commitment to advancing the industry, Finix earns Frost & Sullivan's North America Enabling Technology Leadership Award in the payment infrastructure market.

## What You Need to Know about the Enabling Technology Leadership Recognition

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Frost & Sullivan's Enabling Technology Leadership Award recognizes the company that applies its technology in new ways to improve existing products and services and elevate the customer experience.

### Best Practices Award Analysis

For the Enabling Technology Leadership Award, Frost & Sullivan analysts independently evaluated the criteria listed below.

#### *Technology Leverage*

**Commitment to Innovation:** Continuous emerging technology adoption and creation enables new product development and enhances product performance

**Commitment to Creativity:** Company leverages technology advancements to push the limits of form and function in the pursuit of white space innovation

**Stage Gate Efficiency:** Technology adoption enhances the stage gate process for launching new products and solutions

**Commercialization Success:** Company displays a proven track record of taking new technologies to market with a high success rate

**Application Diversity:** Company develops and/or integrates technology that serves multiple applications and multiple environments

#### *Customer Impact*

**Price/Performance Value:** Products or services provide the best value for the price compared to similar market offerings

**Customer Purchase Experience:** Quality of the purchase experience assures customers that they are buying the optimal solution for addressing their unique needs and constraints

**Customer Ownership Experience:** Customers proudly own the company's product or service and have a positive experience throughout the life of the product or service

**Customer Service Experience:** Customer service is accessible, fast, stress-free, and high quality

**Brand Equity:** Customers perceive the brand positively and exhibit high brand loyalty

