

Fintech

Canada pension fund leads £210mn fundraising in UK's Lendable

Ontario Teachers' investment in fintech group part of broader shift into private assets

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Ontario Teachers' Pension Plan has led a £210mn funding round in UK financial technology group Lendable as Canada's largest single-profession pension fund deepens its push into private markets.

London-headquartered Lendable was founded in 2014 and has built a technology platform to connect global institutional investors with borrowers across loans, credit cards and car finance. The new fundraising round values Lendable at £3.5bn, an increase from last year, when it sold shares at a valuation of over £1bn.

Ontario Teachers' investment comes at a time when asset allocators are rushing into private markets over fears that returns in publicly traded assets will be limited in the future after a sharp rally in recent years. Already in 2022, technology stocks have tumbled as traders prepare for central banks to tighten monetary policy.

The C\$227.7bn fund made the investment through its Teachers' Innovation Platform, which was started almost three years ago to focus on late-stage venture and growth equity investments in technology companies across the US, Europe and Asia, with ticket sizes of between \$50mn and \$250mn. The new platform reflected the pension plan's desire to diversify its investments and search for returns.

Morgan Stanley has estimated that growth equity is the fastest-expanding slice of the private capital world. Growth equity investments typically finance

well-established but still younger, fast-growing private companies in return for minority stakes.

Avid Larizadeh Duggan, a managing director at Ontario Teachers' innovation platform, joined last year to build out its presence in Europe. She said: "It's long-term capital and we pick our investments with a long-term view of staying with these entrepreneurs and companies." She said that unlike typical venture capitalists who exit when an investment floats on the stock market, Ontario Teachers' "can have the ability to be crossover investors when these companies go public."

Larizadeh-Duggan said that Ontario Teachers' target is to increase its investment in high-growth companies from \$5.7bn to \$20bn-\$25bn over the next five years, in line with the growth of the wider scheme. Its other investments in the UK include Beamery, a talent management platform; ComplyAdvantage, a company that provides anti-money laundering technology, and Graphcore, a semiconductor company that develops accelerators for AI and machine learning.

Other big asset allocators are also pushing into private markets in the region. Australian Super, the country's biggest pension scheme, said in February it plans to invest £23bn in the UK and Europe over the next five years as it makes investments in real estate, infrastructure and private credit. Caisse de dépôt et placement du Québec, another big Canadian pension

plan, is planning to pour £9bn into British and European private assets.

Martin Kissinger, founder and chief executive of Lendable, said the latest funding round will help "accelerate growth", both in its existing markets and in the US, where it opened an office last year. He said that Lendable will eventually look to add new products in areas like "buy now, pay later" and expand in new markets.

Before setting up Lendable, Kissinger was involved in launching a consumer finance platform for Rocket Internet in Berlin. As the world has become richer in data, doing consumer finance well has become "a technology problem," he said. "You can apply machine learning and automation to all of this data and do a much better job than the incumbents are doing. You can offer better rates, better transparency, better service, and you can do better underwriting."

Consumer credit is an addressable market of close to \$3tn across the UK and the US, Lendable estimates. Covid-19 accelerated the uptake of these products and open banking in the US has helped fintechs by enabling third parties to use customers' financial data to develop new services in order to boost competition.

Kissinger said the company has been profitable since 2017, but declined to disclose the group's revenues.

Additional reporting by Josephine Cumbo in London