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All Eyes On The Market

EARNINGS SEASON GIVES US A SENSE OF HOW FINTECH IPOS MAY UNFOLD

It's earnings season. Yes, it's that time again where companies tell us how they did in the past three, six, or even twelve months – and the market reacts. And react they do. For us fintechies, these reactions are just as telling as the numbers themselves. It's not only about performance; it's about the narratives shaping the future of money.

Last week, three results in particular caught my eye – Adyen, PayPal, and Arm. Adyen and PayPal provide a fascinating study in contrast, while Arm's success in the AI boom hints at broader implications for fintech funding.

Adyen Soars Again; PayPal Unshocking Revelation...

Last summer was tough for Adyen. A cocktail of missed earnings, shrinking margins, and a generally challenging environment in the public markets, sent its shares tumbling. Last week's full-year results are a story of resilience (and also a story of "half a year doesn't tell you the whole picture").

Shares surged over 21%, buoyed by stronger-than-expected profits and a strategic hiring slowdown. This suggests investors have been sufficiently placated by some of the shifts Adyen has made in the interim (slowing down hiring). Interestingly, Adyen's share price has circled back to where it was last summer. Almost the same stock price, very different picture.

PayPal hopes the latest dip in its stock price is only just a patch, like Adyen, and not something worse. New CEO, Alex Chriss, had promised the company would "shock the world" the week before results. Yet that promise fell rather flat on the day.

Despite beating fourth-quarter earnings and revenue forecasts, PayPal's future guidance left the market wanting, leading to a close to 10% dip in its stock price. It's a narrative that echoes the broader fintech conundrum: balancing robust growth with the need for strategic innovation and efficiency.

For its part, PayPal is planning to achieve this delicate balancing act with a combination of strategic realignment (including bringing its various payments products together) and...AI.

AI Boom Shot in the Arm for SoftBank – But a Tricky Path For Fintech

This brings us to Arm, whose performance has been nothing short of stellar since it shunned its home market for a New York public offering. Its second filing since that debut propelled shares as much as 50% higher driven by a boom in revenue. It posted $824 million for the quarter – significantly above the forecasted $761 million. What was particularly interesting was that Arm noted a significant uptick in royalty and licensing revenues. In other words companies are now leveraging the chips designs themselves. In other, less words: AI is here to stay.

With a 90% stake in the company, the biggest beneficiary is Softbank and its CEO Mayaoshi Son, who has exalted and evangelized the promise of AI for over a decade now. The Mayaoshi legend lives on, and Visions Funds will only get AI heavier.

There's a new shiny thing chasing capital and it has a superpower: premium earnings quality.

For fintechs looking to IPO (and those still in private markets) the clear message is that while markets are warming up, the competition for capital, particularly with the AI sector shining brightly, will be fierce. Fintechs eyeing IPOs this year must navigate this terrain skillfully, leveraging their unique strengths while possibly embracing AI and other technological innovations to stand out.