

SMB neobanks kick off 2022 with more dough for potential lending plays

Article

The news: A trio of SMB-focused neobanks revealed new funding rounds this week:

- US-based **Brex** **landed** **\$300 million with a \$12.3 billion valuation** in a Series D-2 round with mostly existing investors. The company signed a term sheet for the round in October 2021 with those terms, TechCrunch reported at the time.

- **Novo**, also located in the US, **bagged \$90 million and is valued at \$700 million** from a Series B round.
- France-based **Qonto got €486 million (\$554.2 million) and a €4.4 billion (\$5.02 billion) valuation** from closing a Series D round.

More on this: The companies shared growth and product-related updates, per TechCrunch stories about the three rounds:

- **In 2021, Brex's revenue "more than doubl[ed]," co-founder and CEO Henrique Dubugras** told TechCrunch. The neobank also revealed that it hired **Meta** business-products executive Karandeep Anand as its chief product officer.
- **Novo's customer base has tripled since its last funding round** in June 2021, jumping from 50,000 to 150,000; its lifetime transactions soared during the period from 1 million to 5 million. CEO Michel Rangel told TechCrunch that the company will offer a lending product that is designed to make application reviews faster and include a wider set of borrower data.
- **Qonto has 220,000 customers, and CEO and co-founder Alexandre Prot told TechCrunch it's set a one million goal by 2025.** The timing of the neobank's product growth reversed Brex's, the publication noted: It initially focused on business bank accounts before moving into spend management, an approach that's been successful because customers have opened paid accounts themselves.

The opportunity: The trio of neobanks can use the added capital to serve SMBs by building out lending solutions, which can complement credit cards, accounts, and expense-management tools.

While only Novo explicitly named lending as a near-term priority, Brex could jump in if it so chooses. This could include giving companies access to term loans—both secured and unsecured—along with lines of credit.

Qonto **already has** a lending presence with three choices: a state-guaranteed loan, a private one, and cashflow factoring. However, it can choose to broaden its lineup by adding credit lines and more term-loan varieties.

Neobanks that enter lending—or expand further within it—may see success if they lend to existing customers by using data they've already collected from them for underwriting. Incumbent banks that want to retain market share in the face of challenges like these should proactively monitor and update their own SMB suites.

