

What Zopa's reported \$100M raise and imminent IPO mean for the neobank

Article

The news: British neobank Zopa is reportedly in talks to raise around \$100 million ahead of a planned IPO, according to Sky News.

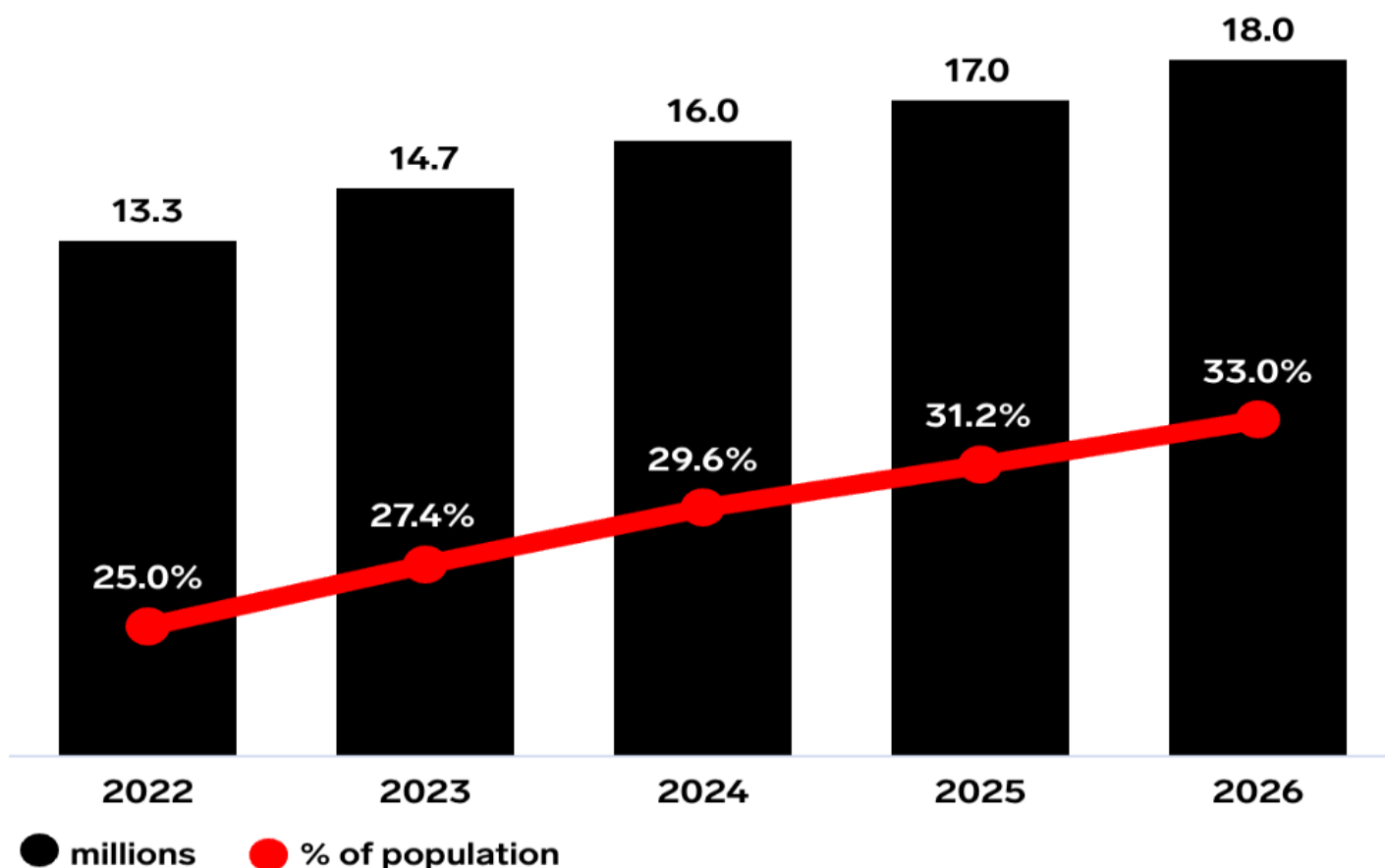
The funding round is expected to give Zopa a **valuation of more than the approximate £750 million (\$882 million) price level** it had almost a year ago, Sky said, citing an unnamed source.

Road to going public: Founded in 2004, Zopa originally specialized in peer-to-peer (P2P) lending but has since branched out to offer traditional banking products.

- It **launched** a new digital bank in 2020 and claimed to have made its **first profit** in April.
- In August, the neobank said it had hit the **£2 billion (\$2.35 billion) deposit mark**, claiming to be one of the fastest challengers to reach the milestone.
- It's successfully raised funds in the past, **bagging £220 million (\$259 million)** last year and reaching **unicorn status**.
- Zopa is now weighing expansion into small- and medium-sized business (SME) **lending** and considering potential acquisitions in the space. SME lending will be one of the most profitable post-pandemic revenue streams for banks, **according to** McKinsey.

Digital-Only Bank Account Holders and Penetration

UK, 2022-2026



Note: individuals who have at least one account at an FSCS-backed digital-only full-service bank open to all consumers that includes transactional and savings options but does not operate physical branches, and where all account management is carried out via web browsers, mobile apps or over the phone; account holders are not mutually exclusive; there is overlap between groups

Source: eMarketer, June 2022

InsiderIntelligence.com

Zopa defies downbeat market: The digital bank continues to successfully attract interest from investors despite a wider [slowdown](#) in funding for fintechs this year.

- Much of this can be explained by Zopa's successful transition into mainstream banking and its quick rollout of new products. It now offers credit cards, loans, and [buy now, pay later](#) (BNPL). And its interest rates for [savings accounts](#) are among the highest in the UK market.

- Zopa’s reported desire to go public also goes against a wider trend among fintech firms. [Research](#) from CB Insights shows that fintechs are staying private for longer, put off by market turmoil and subdued interest in tech stocks. With this in mind, taking the company public will be a risk and may indicate the neobank is in a rush to raise more cash.
- Given the gloomy economic outlook, neobanks looking for financial backing to fuel growth might be better off delaying IPOs and seeing what happens to public markets.

Analyst’s take: “Zopa has claimed it has turned a profit, albeit a small one, under £1 million. Although it’s one of few neobanks that can claim that fame, achieving sustainable profitability will be its next challenge,” says Insider Intelligence principal analyst [Tiffani Montez](#).

“Going after more investment in this environment will be expensive and will only stretch its runway toward sustainable profitability so far. Unless it can generate more significant, sustainable profitability, an IPO in this environment will be risky.”

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