

Klarna's explosive growth should put neobanks on high alert

Article

The Sweden-based buy now, pay later (BNPL) fintech raised \$1 billion, bringing its valuation to \$31 billion, up from nearly \$11 billion in September, Bloomberg [reports](#). Klarna—which was already Europe's most valuable fintech—had initially aimed to raise \$500 million. The major fintech plans to use some of the funding to acquire a tech company.

Klarna's massive scale and "super app" [ambitions](#) could pose a direct threat to neobanks. Klarna's global [network](#) includes 90 million users of its flagship BNPL tool and over 200,000 merchants across the markets in which it operates, affording it a huge addressable base. And while this funding round was not explicitly for banking expansion, Klarna recently announced [plans](#) to roll out a banking product in Germany—and its already well-established business there could make it extremely competitive. That threat isn't limited to Europe: The US is on track to surpass Germany as Klarna's biggest market by the end of 2021, and it has added 1 million users each month since October 2020, hitting [15 million](#). It has also signed up 20 of the top 100 US brands. If Klarna decides to make a banking play in the US market, its wide reach would give it a big leg up on competing neobanks, even despite its late entry to the space.