

Revolut leaps to the front of the UK pack as it eyes international expansion

Article

The news: UK-based **Revolut** received an **\$800 million** Series E funding round that values the neobank at **\$33 billion**. The fundraising is being co-led by **Softbank Vision Fund 2** and **Tiger Global**. Nikolay Storonsky, Revolut's Founder and CEO, said the capital raise makes Revolut the UK's most valuable fintech.

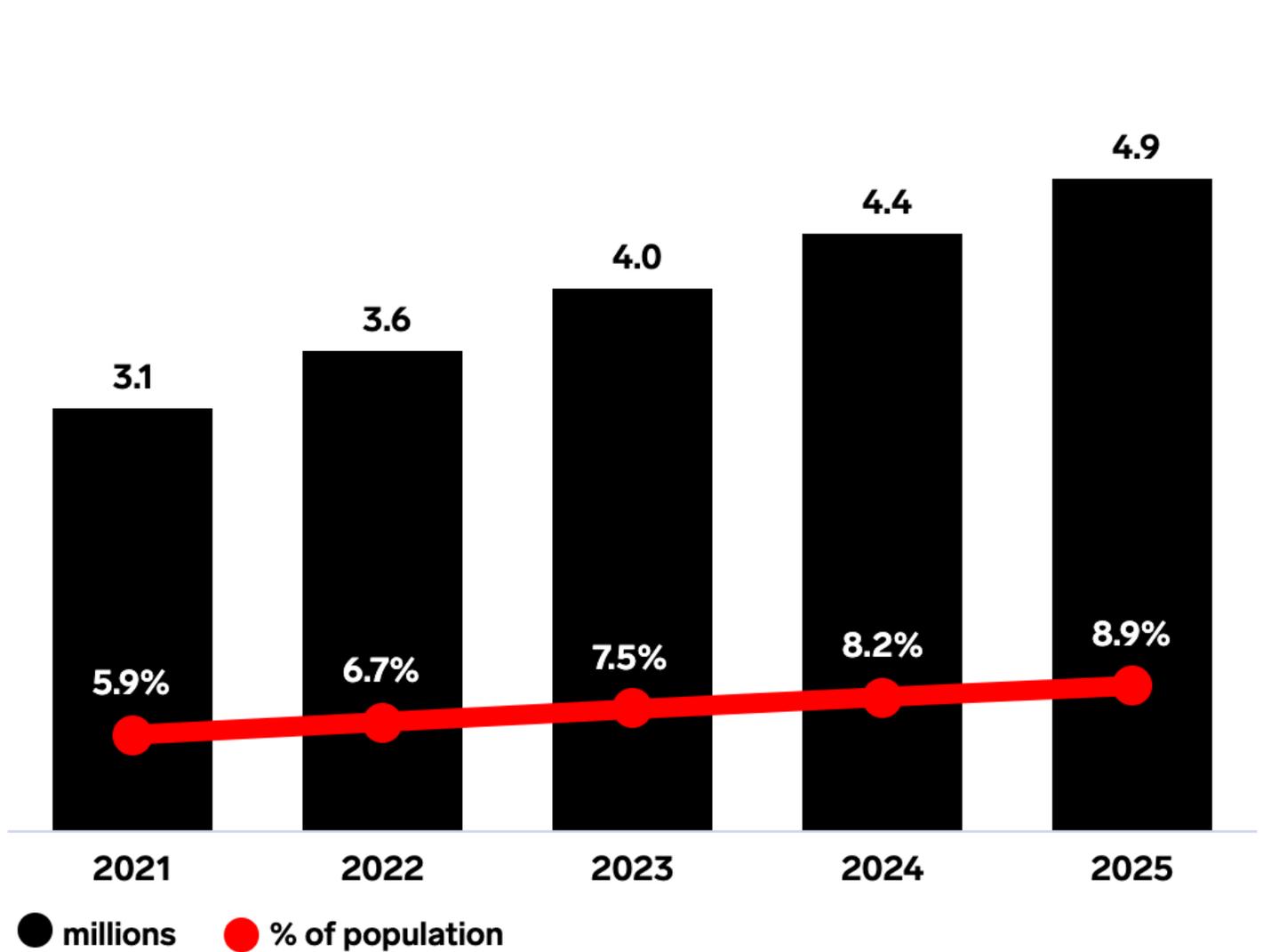
More on this: The fund raise represents a **sixfold increase** in valuation over last year's **\$580 million Series D round**, which valued the neobank at **\$5.5 billion**. Revolut's customer growth was equally impressive, swelling to more than **16 million** worldwide **from 14.5 million** customers as of its **2020** annual report, released last month. Revolut will use the investment to fund continued product innovation, as well as to expand into the US, India, and other international markets.

Is it worth it? The massive funding round is proof of investors' optimism about Revolut's long-term success. But its two-pronged strategy could complicate its progress.

- **An investment in new features could support a promising trend toward more paid-account subscribers.** Revenue from paid subscriptions **represents more than one-third** of Revolut's mix—and **offerings** limited to paid plans likely made a hefty contribution here. The neobank did not indicate which accounts would get access to any future added features, but it would make sense for Revolut to use them to broaden the appeal of its premium accounts. Paid accounts benefit Revolut in two ways: 1) They enable the neobank to rely less on interchange fees associated with customer card usage; and 2) they provide a steadier income stream from customers attracted to and retained by its appealing features.
- **Revolut could face an uphill battle in its global expansion.** The gigantic fundraise should alleviate the lack of resources that precipitated its **retreat** from Canada. But fierce competition and a lack of customer awareness outside of the UK could imperil Revolut's planned expansion. Revolut still **relies** heavily on its primary market, even as it pushes abroad: **88.42%** of its 2020 revenue came from the UK, **10.24%** was generated in the European Economic Area, and just **1.34%** came from all other markets. As the neobank goes deeper into North America, it could collide head-on with US-based challengers that are experiencing their own growth spurts. **Chime** is **expected** to reach **20.2 million** account holders by the **end of 2021**, and **Current** is **forecast** to more than double its user base to **8.4 million** by **2025**. So while this latest funding round gives Revolut the firepower necessary to introduce its product suite to new geographies, in an important market like the US, it may arrive too late to the party.

Revolut Bank Account Holders and Penetration

UK, 2021-2025



Source: eMarketer, May 2021

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