

Varo's valuation vaults to \$2.5 billion with massive Series E

Article

The news: The US neobank is poised to complete a \$510 million Series E funding round, rocketing its valuation to \$2.5 billion, up from approximately \$700 million, CNBC reports.

- In the 13 months since obtaining its national banking charter, Varo has doubled its total accounts to 4 million, and the neobank is currently weighing options for eventually going public and expanding overseas, **Varo CEO Colin Walsh** told CNBC.

- He also told TechCrunch that he predicts **Varo will reach profitability in approximately two years.**

More on this: Varo's news adds to a growing trend of massive fundraises and valuations for well-established, fast-growing neobanks.

- UK neobank **Revolut** received its own Series E funding **round** totaling \$800 million in July, and the infusion of capital **brought its valuation to \$33 billion.**
- Brazilian neobank **Nubank** **added** \$750 million to its Series G funding round in June, and the new investments **brought its valuation to a staggering \$30 billion,** according to Reuters.
- Varo's biggest US competitor, **Chime,** **announced** in August that it raised \$750 million in a Series G funding round that **spiked its valuation to \$25 billion.**

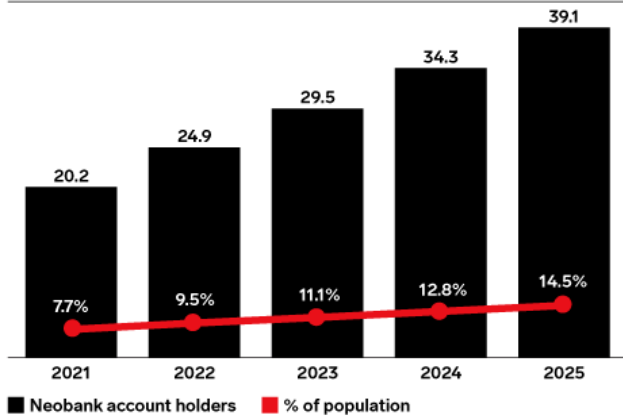
The big takeaway: Sky-high fundraises and valuations raise expectations for neobanks. While it's not the biggest US neobank, Varo's national banking charter gives it an edge in its home market. Attaining this charter wasn't easy.

- **Varo spent three years and \$100 million** navigating a sea of complex regulatory and capital requirements, per Banking Dive.
- In return for its efforts, Varo can now offer a full spectrum of banking services without having to pay a licensed partner.
- It also can ignore some banking regulations that vary from state to state, allowing it to offer more uniform products, per Deloitte.
- Additionally, it now enjoys complete control over its deposits and can deploy them to fund a personal loan or mortgage offering.

CNBC also notes that **as a standalone bank, Varo owns its clients' data,** instead of a partner bank getting it. That advantage will help it offer a more personalized customer experience, as well as driving a smarter expansion of its product suite by providing insights into which future products may be best suited to clients' needs.

US Neobank Account Holders and Penetration, 2021-2025

millions and % of population



Note: individuals who hold at least one account at an independent, digitally native, digital-only bank that has either a banking license or operates on a licensed bank's platform (such as Chime or Varo in the US, Monzo in the UK, and Koho in Canada); account holders are not mutually exclusive; there is overlap between groups
Source: Insider Intelligence, May 2021

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