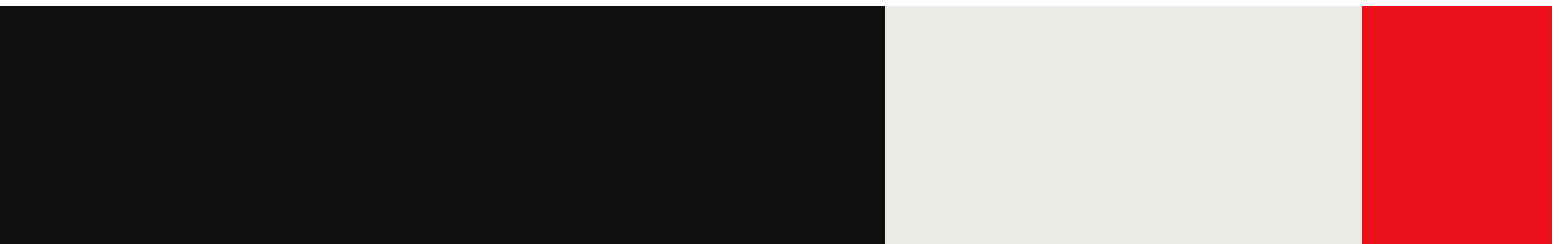


Chime gets \$25B valuation with new funding—we look at the bullish and bearish cases for this figure

Article



The news: Chime has hit a **\$25 billion valuation** as part of a funding round that brought in **\$750 million**, per The Wall Street Journal. The valuation represents a meteoric rise for the US neobank: it reached **\$1.5 billion** in 2019 and then **\$14.5 billion** in 2020. Chris Britt, Chime's CEO, said the company will use the proceeds for growth, plus adding products and services.

More on this: Chime's business model is backed by and benefits from interchange fees derived from debit-card transactions, thanks to a provision in the 2010 Dodd-Frank Act that lets smaller banks charge higher fees than their bigger counterparts—Chime takes a cut of the revenue from its partner banks, **Stride Bank** and **Bancorp**.

The big takeaway: Chime will now have to work to prove its mettle with respect to its lofty valuation. Here's a rundown of the case for why it might deserve the \$25 billion figure—and why it might not:

The bullish case:

- Chime has a broad, fast-growing user base. The neobank is getting **hundreds of thousands of new accounts** each month and counts **a user base in the millions**, Britt said, [per](#) WSJ. It's also projected to continue raking in customers over the coming years, jumping from **13.1 million US users** in 2021 to **22.7 million** in 2025, [per](#) Insider Intelligence.
- US consumer spending has been [on the rebound](#) from the pandemic-induced economic downturn. An uptick means that Chime can generate more interchange revenue from its customers' transactions, as they opt to move their cash off the sidelines. While the impact from the delta variant [presents](#) a cloudy short-term picture, another hard drop induced by lockdowns is [unlikely](#) to occur in the US.
- Chime is edging toward profitability: It [disclosed](#) last September that it was in the black when measured by [EBITDA](#).

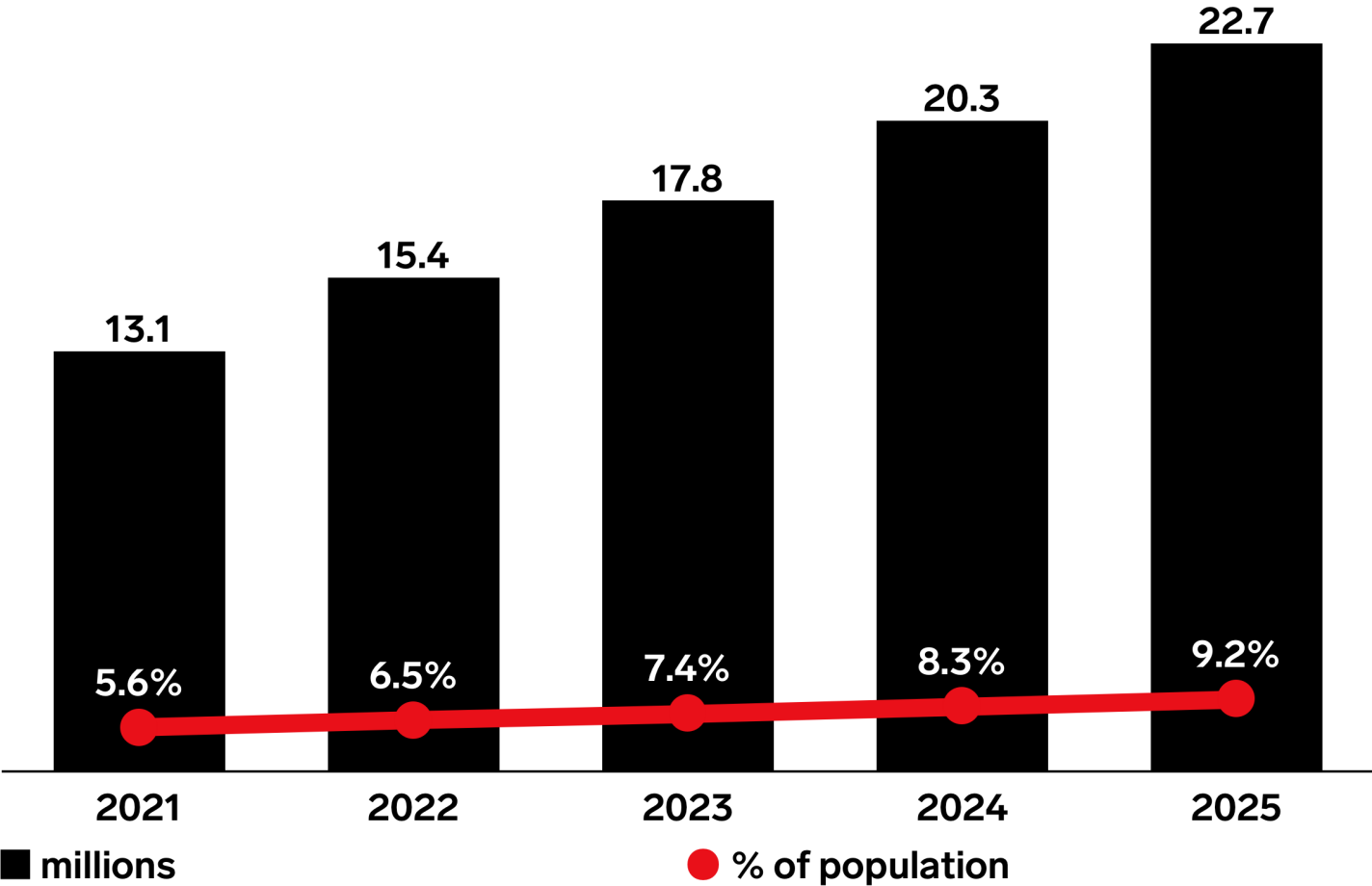
The bearish case:

- Chime has a fairly homogenous revenue mix: Financials [obtained](#) by Axios in January show that **"most"** of its revenue came from interchange fees, though **21% come from out-of-network ATM transactions**. The neobank mostly [eschews](#) direct fees to consumers, and doesn't offer lending products. However, it may need to find more sources of revenue if it wants to prove that it's worth \$25 billion.
- It's strong in quantity for its user base, but the quality of its customer relationships may be a vulnerability: The proportion of Gen Z users who picked it as their primary bank fell between

October 2020 and July 2021, Ron Shevlin [noted](#), citing Cornerstone Advisors data. Additionally **57% of Chime customers are “dire” or “struggling” financially, versus three in 10 US adults**, per Shevlin, who also pointed out that the company has an average customer income of **just \$39,000**, far below the national figure of **\$63,000**.

Chime Account Holders and Penetration

US, 2021-2025



Source: eMarketer, May 2021
Methodology: Estimates are based on the analysis of data from respective bank corporate disclosures, reported and estimated non-interest expenses from major banks, estimates from other research firms, historical trends, GDP trends, technology expense trends, and macro-level economic conditions.

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