

Revolut targeting billions in new revenue before IPO

Article

The news: UK neobank **Revolut** is trying to increase its revenue into the “few billion dollars” range in order to go public successfully, founder and **CEO Nik Storonsky** told **Bloomberg Television**. Storonsky did not set a timeline for the IPO.

More on this: The neobank is far away from a multi-billion dollar revenue goal.

- Its revenue last year was only **£261 million (\$334.7 million)**, and its overall operating loss was **£201 million (\$257.8 million)**. In July, Revolut **raised \$800 million** at a valuation of **\$33 billion**.

The neobank has been hard at work this year growing its product offerings:

- It **announced** this week that it's planning US rollouts of an **unsecured line of credit** this fall, and **credit card** offerings at the end of 2021 or in Q1 2022.
- It **added** a **US-Mexico remittances feature**, which carries a percentage-based transaction fee of **0.30%**, which is set within a fixed range: Users will pay at least \$0.30, but no more than \$6.00 per transaction.
- In addition, it has rolled out a slew of features for SMBs in 2021 that include invoicing, QR code payment, and expense management.

Why it's worth watching: If Revolut's goal is to drive up revenue to make an IPO possible in the short term, we're going to see more efforts to monetize its gigantic customer base—15.5 million clients as of Q1 2021.

Revolut has a few tools at its disposal, some of which it's tried before:

- **Increase fees.** A fast way to boost the bottom line is to charge more for services, for example via commissions on stock or crypto trades or on foreign exchange fees. However, it's as risky as it is easy, as it could damage customer satisfaction. The neobank used this strategy in August when it **hiked** its securities trading fee for the second time in less than a year.
- **Drive sign-ups for its paid accounts.** Adding features and perks to its paid accounts—Plus (\$3.83 per month), Premium (\$8.96 per month), and Metal (\$16.66 per month)—could entice more of its nonpaying customers to pay for those upper-tier accounts. Revolut **deployed** this tactic in June when it rolled out new purchase protection and insurance benefits for paid accounts.
- **Launch new revenue-driving products.** Offering a wider range of products that generate fee or interest revenue, such as loans or credit cards, can also benefit Revolut's bottom line. Its upcoming credit offerings in the US are a prime example of this strategy.

Total UK Digital Banking Market Share of Select Neobanks

2019-2020

Monzo



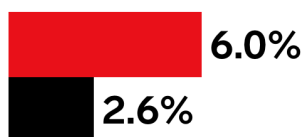
Revolut



Starling



N26



■ 2019

■ 2020

Note: N26 announced in February 2020 it would exit the UK market.

Source: Apptopia, 2020

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