

Nubank's younger-leaning customer base should worry incumbents

Article

The news: Nubank [revealed](#) that its customers skew younger than those at established banks, per findings included in its newly disclosed US initial public offering (IPO) filing.

The Brazilian neobank attributed its data to a mix of its own research and assistance from Oliver Wyman. The findings, dated September 30, 2021, show:

- **59% of Nubank's customers were under 35 years old, versus just 30% for incumbents.**
- The gap is also stark when measuring **people under 45, with the demographic comprising 81% of Nubank's customers versus 52% for incumbents.**
- Nubank also predicts that a subset of its young customers—those ages 20 to 24—will experience a **real-income boost of about 70% over the coming decade.**

More on this: The neobank disclosed its most detailed customer and performance statistics to date in anticipation of going public.

Strong customer stats:

- **Nubank's overall user base reached 48.1 million as of September 30, 2021, up 62% year over year (YoY), when it was 29.7 million.**
- Monthly active customers, defined as those who generated revenue within a 30-day window, stood at 35.3 million as of the same date, an 89% YoY increase from 18.6 million.
- **Deposits rose by 98% YoY, for the period, going from \$4.1 billion to \$8.1 billion.** The percentage growth has been decelerating over time while the dollar amount has increased further.
- Growth in small and medium-sized business (SMBs) users was up 189% YoY for the same period, surging from about 370,000 to nearly 1.1 million.
- **More than half of Nubank's active customers that have been with it for over a year are considered to have a primary banking relationship,** which the company defines as when an active customer has at least 50% of their monthly post-tax income flowing in or out of their accounts.
- **A track record of low customer-acquisition cost (CAC), with an average around 80% to 90% per year due to word of mouth or direct unpaid referrals.** Nubank posted a **\$5.0** per customer CAC for the first nine months of 2021—and it believes, based on its research, that it has **one of the world's lowest CACs among consumer fintech companies.**

Ongoing losses—but a strong top line:

- Nubank has lost money each year going back to 2018, and posted a **\$99.1 million loss for the first 9 months of 2021—up 53.9% YoY.**

- But revenue grew 98.7% YoY for the first nine months, from \$534.6 million to about \$1.06 billion.

The opportunity: Nubank has excelled at acquiring younger customers—and this should worry incumbents because the neobank has added a sizable group of people who have years of expected future earnings growth.

The company’s success is also important because **Gen Z—defined as anyone born between 1996 and 2016—makes up 30% of Brazil’s population and 35% of Mexico’s, per a BofA Global Research report.**

With an eye toward its customers’ potential earnings, Nubank can also take steps now to cultivate their loyalty by leveraging its product lineup—for example, with its Ultravioleta paid account. Primary banking data which demonstrates recurring usage of Nubank accounts for customers’ wages gives a glimpse into how the neobank can make this happen.

Primary Financial Institution Used by Internet Users in Brazil, by Age, Oct 2020

% of respondents in each group

	Public banks	Private banks	Digital banks	Retailers	Nonbank provider	Unbanked
18-23	26%	22%	41%	3%	1%	8%
24-28	25%	31%	37%	2%	1%	4%
29-39	32%	34%	4%	3%	2%	27%
40-54	44%	38%	11%	2%	1%	5%
55-73	35%	49%	9%	1%	2%	4%

Source: FIS, "Relatório Pace Pulse Brasil 2020" conducted by Ipsos, Jan 27, 2021

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