

Klarna's freefalling valuation betrays harrowing H2 ahead for payments firms

Article

The news: Klarna's valuation could collapse to as low as \$6.5 billion if it pulls off negotiating a \$650 million funding haul, per the Wall Street Journal.

How we got here: Klarna has reportedly been trying to raise funds since at least May to help [weather](#) a whirlwind of exogenous factors—record inflation, the war in Ukraine, rising interest rates—that have kept investors on the sidelines.

- An [earlier](#) deal would have injected \$1 billion into Klarna's coffers and dropped its valuation from a June 2021 high of \$46 billion to about \$30 billion.
- Negotiations haven't been going well for Klarna. Just weeks ago, it was reportedly willing to accept a \$15 billion valuation for a \$500 million haul.

If it closes the latest deal, Klarna will get more money than the June proposal—at the cost of a **roughly 85% devaluation**.

Misery loves company: When it comes to anemic funding hauls and valuations thought unimaginable just a year ago, Klarna's not alone.

- **Stripe's** valuation has [fallen 35%](#) from the start of the year, according to Business Insider. Investor **Fidelity** has slashed Stripe's valuation every month in 2022 except for March.
- The valuation of private buy now, pay later (BNPL) firm [SumUp](#) fell from \$22 billion to just \$8 billion after its latest funding haul.
- Shares in publicly listed **Affirm** are down more than 80% this year. **Block's** and **PayPal's** have dropped more than 60% each.

Economic uncertainty is a pain that cuts across industries. The [turbulent first half](#) of the year has impacted the valuations of businesses in almost every sector, and the S&P 500 notched its [worst](#) first half of the year since 1970, per the New York Times, down nearly 21% since the year started.

What's next? Firms may have to adapt to a more challenging climate in H2.

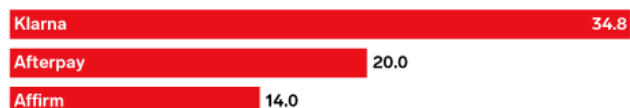
1. **Cut costs:** The increasing cost of capital and subsequent drop in funding means payments firms will have to conserve cash and possibly scale back growth plans. Smaller, loss-making fintechs will be particularly vulnerable without the safety blanket of easy financing to protect against missteps. Job cuts are one way to reduce overheads—[Klarna](#) and [BizPay](#) have already trimmed headcounts.
2. **Diversification:** Branching out into other payment types and broader financial services can minimize risk and create additional revenue streams, with [Stripe](#) and [Klarna](#) both expanding beyond traditional payments.

3. Acquisitions: Payment companies with strong balance sheets could pick up struggling fintechs at a steep discount to widen their product offerings and bring in new tech and customers. Payments provider **GoCardless**, for example, will buy open banking data provider **Nordigen**.

The big takeaway: Klarna and its payment competitors know their lower valuations reflect a harsher funding climate characterized by reduced investor confidence. Market sentiment isn't likely to improve in the short term, so fintechs need to brace themselves for a leaner and meaner second half where new capital is harder to come by.

US Buy Now, Pay Later (BNPL) Users, by Platform, 2022

millions



Note: ages 14+; internet users who have accessed a buy now, pay later account digitally and have made a payment toward a purchase at least once in the past year; includes purchases of goods and services

Source: Insider Intelligence, June 2022

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