

SMB neobanking may get a confidence boost from Qonto's possible €400M round

Article

The news: Qonto, a French neobank that caters to small and medium-sized businesses (SMBs), is in discussions to raise **about €400 million** (\$456.1 million) at a valuation of **up to**

€4.4 billion (\$5.02 billion), **per** Insider. The amount it's raising and the valuation could still change before a round is finalized.

More on this: The challenger would get a **five-fold valuation jump** if the round goes through at its current terms—its previous amount came in January 2020 when it reached €811 million (\$924.7 million).

Qonto, which operates in multiple European countries and has **around 200,000 customers**, was set to land an approximately €3 billion (\$3.42 billion) valuation. However, US hedge fund **Tiger Global's** entry into the mix as a prospective investor drove up the amount.

An overview: The company targets SMBs and freelancers by **offering** three types of paid accounts with monthly fees:

- **Basic**, at **€9** (\$10.26) per month, with 30 Single Euro Payments Area (**SEPA**) transfers and direct debits
- **Smart**, at **€19** (\$21.66) per month, with 60 SEPA transfers and direct debits
- **Premium**, at **€39** (\$44.47) per month, with 100 SEPA transfers and direct debits

Smart and Premium customers get **added features**, such as:

- Cashed checks, with two for Smart and five for Premium
- Accounting services like VAT auto-detection and help with receipts
- Accountant access in addition to the account holder

Every tier has unlimited account statements, plus country-specific IBANs for France, Spain, Germany, and Italy.

The big takeaway: The potential terms of Qonto's new round—particularly given Tiger Global's bullish outlook increasing the valuation—is a new sign of investors' confidence in SMB neobanking as a lucrative market.

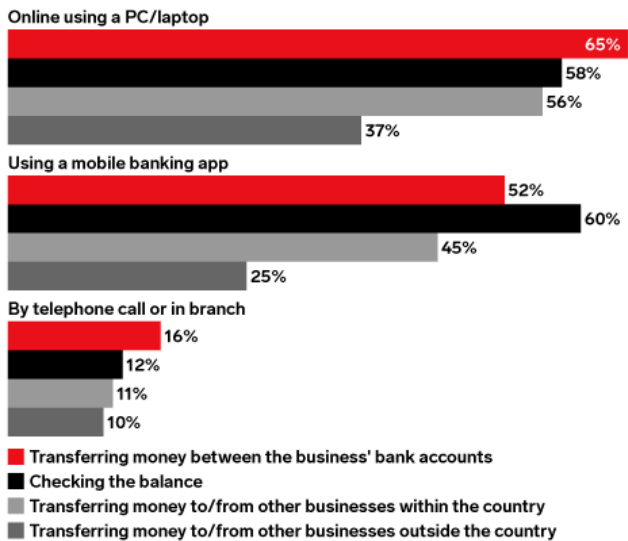
If the funding comes through, it would mark the latest milestone for the space within the past year in Europe. Recent examples of funding—and performance success—include:

- **Tide** **bringing in** \$100 million in July 2021 with a \$650 million valuation.
- **Recognise Bank** **getting** £14 million (\$18 million) in August 2021.

- **Starling** first hitting monthly profitability in October 2020 and with an expectation of turning an annual profit for its current fiscal year.
- **OakNorth** saw an **18%** annual profit jump for 2020 compared to 2019.

How Small Businesses Worldwide Perform Select Banking Activities, Aug 2020

% of respondents



Note: businesses have <50 employees

Source: Mastercard, "What Small Businesses Want in 2020/2021" conducted by Yonder Consulting, Dec 14, 2020

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