

Neobanks are awash in cash after a banner funding year

Article

A look back: This year was marked by a series of massive funding rounds by prominent neobanks in the US, Latin America, the UK, and continental Europe. Here's a review of the top hauls that we covered during 2021:

1. Nubank raised \$2.6 billion for its IPO earlier this month at a valuation in the \$41 billion ballpark, multiple media outlets reported. The figure came close to the top end

of the Brazil-based neobank's **revised** pricing range, which it lowered from a previous filing. Its IPO funding came **on top of \$1.1 billion in Series G funding** that it brought in during H1 2021.

2. **N26 bagged over \$900 million** in October and got a **valuation north of \$9 billion**. The Germany-based neobank **opted** to use proceeds for redoubling its focus on Europe, a strategy reflected by its November move to **withdraw** from the US.
3. UK-based **Revolut landed \$800 million** in July **with a \$33 billion valuation**. However, it **still faces** an uphill battle in its expansion abroad and increasing paid-account revenue.
4. **Chime raised \$750 million** in August and **got a \$25 billion valuation**. The US-based neobank's **strong user growth** and a recovering economy underpinned a bullish case for the valuation, while customer relationships and dependence on interchange fees outline **the bearish case** for it.
5. UK-based **Monzo got \$475 million** in a December round tied to a **\$4.5 billion valuation**. In its reporting on the round, The Financial Times pointed out that this represents a **200% recovery** from its **February nadir of £1.25 billion (\$1.6 billion)** which was caused by a pandemic-induced valuation drop. Monzo also **reiterated** in its 2021 annual report that it faced uncertainty over whether it could carry on as a going concern.

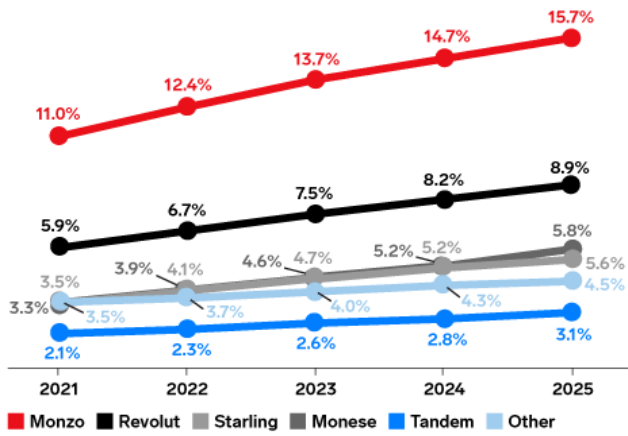
What this means: Whether investors' generosity toward neobanks continues during 2022 depends on their attaining profitability—according to conventional measures of profitability, rather than the highly qualified announcements some have been making. Once the profitable challengers split from the pack, investors' willingness to subsidize the less successful is likely to wane.

Investors also will be looking for signs of **differentiation** between neobank offerings. That's getting harder, especially in the US.

- Established players have improved their digital experience and **curbed or dropped their overdraft fees**—which formerly helped neobanks that never charged them to grab disaffected customers.
- Viewing these developments, Treasure Financial Co-Founder Benjamin Verschuere has **warned** in Forbes that neobanks face commoditization—and will be competing both against each other and incumbent banks with limited ability to differentiate their offerings from their rivals'.

UK Digital-Only Bank Account Holder Penetration, by Company, May 2021

% of population



Source: Insider Intelligence, May 2021

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InsiderIntelligence.com